EUROPE'S BUSINESS NEWSPAPER

FINANCIAL TIMES

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US BASES
Sheathing the long sword
Page 15

World News

India accuses Pakistan of incitement in Kashmir

New Delhi accused Pakistan of directly inciting violence in Kashmir and deliberately intervening in India's internal affairs.

More than 60 people have been killed in a week of violence in Kashmir as India poured security forces into the Kashmir valley to stamp out an Islamic secessionist movement. Analysis, Page 4

Kohl hails Moscow

West German Chancellor Helmut Kohl hailed Moscow's support for German unity as encouraging and said Bonn would respect the security interests of all sides in moves to end the division of Germany. Page 2

Savimbi breaks tour

Jonas Savimbi, Angolan rebel leader, unexpectedly broke off a European tour as strongholds of his Unita guerrilla movement came under what he described as the biggest air offensive to be mounted in Angola's 15-year civil war. Page 4

Beirut battles

Battles between Christian militiamen under Samir Geagea and soldiers loyal to the Christian General Michel Aoun erupted in Beirut. Page 4

Kosovo sliding

Yugoslavia's southern province of Kosovo could be heading for civil war if the federal authorities do not respond to the demands of the ethnic Albanian majority. Page 2

Andreotti strained

Italian Prime Minister Giulio Andreotti's government called for its third vote of confidence in a week, underscoring strains in the coalition.

Glemp taken ill

Cardinal Jozef Glemp, Primate of Poland's powerful Roman Catholic church, was seriously ill in hospital after undergoing two emergency operations.

Greenpeace call

International environmental group Greenpeace called for industrialised nations to slash carbon dioxide emissions by 30 per cent in the next decade. Related story, Page 16

Belgian AIDS drug

Belgian scientists at the Rega Institute for Medical Research, Leuven, said they have discovered a potent chemical, known by the initials TIBO, that blocks the AIDS virus.

Islam 'will dominate'

Iran's spiritual leader Ayatollah Ali Khamenei predicted capitalism would eventually go the same way as communism, leaving Islam to dominate the world.

More HK refugees

Arrivals of Vietnamese boat people in Hong Kong soared by 50 per cent in January compared with the same period last year. An official said the situation could become desperate unless the US and Vietnam agree to forced repatriation.

Namibia freedom

Namibia's future legislators voted to declare independence on March 21, ending seven decades of South African rule in this mineral-rich desert territory.

Sudan arrests 100

Sudan's military junta has arrested 100 people believed to be involved in a Christmas massacre in central Sudan in which more than 200 people were killed.

McMoscow burgers

An estimated 15,000 Muscovites eschewed the opportunity to queue for two hours for their usual bread and meat and spent two hours instead queueing for McDonald's hamburgers as the chain's largest store opened. Page 2

Business Summary

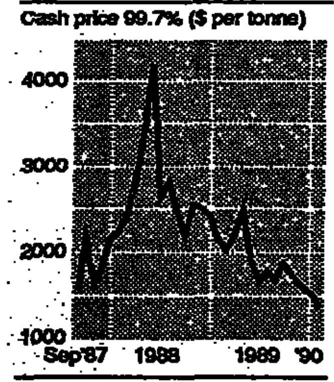
Pressure on Eastern Airlines chief increases

EASTERN Airlines, rapidly shrinking US air carrier which was put into bankruptcy last year in a successful effort to defeat its labour unions, seemed to be slipping out of the control of its chairman, Mr Frank Lorenzo.

At least one of Eastern's shareholder committees has withdrawn its support for Mr Lorenzo's efforts to steer his airline out of bankruptcy. Page 17

ALUMINIUM prices closed at the lowest levels since the contract for 99.7 pure metal started on the LME in June 1987. Cash metal closed at $1,394.50 a tonne; three-month metal traded as low as $1,405 a tonne before recovering to $1,418 at the close. The fall reflected the ample supplies available, said traders. Page 26

Aluminium
Cash price 99.7% ($ per tonne)



WALL STREET: Stocks rebounded smartly from a string of recent losses, as blue chips posted their strongest closing gain since jumping 57 points on January 2. But analysts described the rally as "nothing more than a reflex from an oversold condition", helped by bargain-hunting. The Dow Jones Industrial Index climbed 47.30 to close at 2,590.54.

KNORR-BREMSE, Munich-based brake company, will make German corporate history when it takes a 50 per cent share in Berliner Bremsenwerk, based in East Berlin. Page 17

AUSTRALIA'S dismal inflation performance was underscored by new figures showing a 7.8 per cent rise in the consumer price index and an 8.5 per cent rise in inflation. Page 4

FUJI BANK is to become the first Japanese bank to establish a presence in Eastern Europe following the collapse of one-party Communist rule. Page 16

HONGKONG and Shanghai Bank is a potential buyer for the loss-making Lloyds Bank Canada – a deal that would make it by far the largest foreign bank in Canada. The bank has confirmed a tentative interest in Lloyds.

LLOYD'S of London, the insurance market, is considering abolishing the subscriptions, totalling 25m ($8.1m) a year, paid by the 8,000 brokers who bring business to it. Page 8

BRAZIL'S monthly inflation rose to a record 56.1 per cent in January, though the rate of price rises was well below initial expectations. Page 5

MITSUBISHI Corporation extended the deadline on a proposed $850m leveraged buy-out of Aristech Chemical Corporation, US chemical company, which has received notice of a counter-offer. Page 19

THYSSEN, diversified West German heavy industrial group, saw a slight weakening in sales and orders in the first quarter of the current year. Page 20

GLAXO, UK's biggest drugs company, in an unusual move has appointed a Japanese businessman as a main-board executive director. Page 8

Gorbachev labels report he will quit 'groundless'

By Quentin Peel in Moscow and Peter Riddell in Washington

PRESIDENT Mikhail Gorbachev yesterday denied reports that he was contemplating resigning as leader of the Soviet Communist Party to concentrate on being head of state.

The speculation, in a US television news report from Moscow on Tuesday, attributing the suggestion to an unnamed source, was dismissed as "groundless."

Mr Gorbachev told journalists before meeting Mr Fernando Collor de Mello, Brazil's president-elect, that he had no intention of resigning his party role.

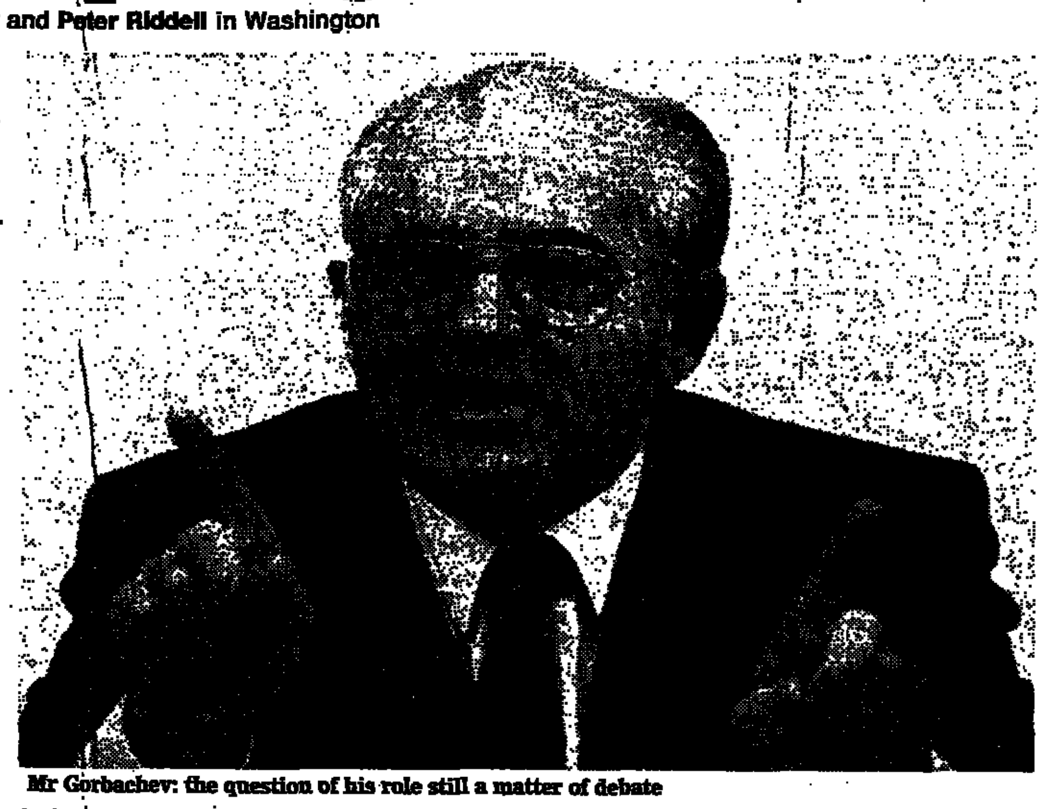
"Many rumours and suppositions are circulating worldwide. All this is groundless," he said. "Evidently it is in somebody's interest to propagate such things."

President George Bush, reflecting the international concern over the Soviet leader's political position, telephoned the Kremlin, ostensibly to discuss arms control and troop reductions in Europe ahead of Mr Bush's State of Union address last night.

Conversations between the two are not routine and a US official said "there was an off-hand reference to the fact there were rumours," such as those in the television report.

In Moscow official accounts of the conversation said that "an exchange of views took place on current issues concerning the international situation."

But the timing of the call left little room for doubt that Mr Bush was seeking some reassurance about Mr Gorbachev's position, and perhaps offering his personal support.



Mr Gorbachev: the question of his role still a matter of debate

The US television report was dismissed as being at least premature by most political observers here, who see Mr Gorbachev as locked in the middle of a critical battle for control of the Communist Party: as long as the Soviet Union remains a one-party state, he will be dependent on it for his political base.

However, the question of Mr Gorbachev's role, and the primacy of the Communist Party in the Soviet system, is still in debate. A key discussion was published in Pravda on the need for an executive president.

Mr Gorbachev is facing a crucial clash with conservatives in a plenary meeting of the ruling party's central committee next week, political ana-

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Kohl encouraged by Gorbachev, Page 2; Moscow joint ventures, Page 6; Observer, Page 14; Sheathing the long sword, Page 15; UK cautions US, Page 16

Bush proposes troop cuts in Europe

By Peter Riddell, US Editor in Washington

PRESIDENT George Bush last night sought to take the domestic and international initiative in arms control by proposing much deeper cuts in the numbers of US and Soviet troops in Europe than are currently on the table in the Vienna conventional force talks.

After informing Mr Mikhail Gorbachev, the Soviet leader, by telephone of the new US position, he announced the detailed proposals in his State of Union address to Congress late last night.

Mr Bush suggested a cut in troop numbers in Central Europe to 195,000 on each side. This compares with the upper ceiling of 275,000 agreed by leaders of the Nato alliance last May. The new position involves a reduction of about 110,000 US forces and more than 400,000 on the Soviet side. Under the plan the US could keep up to 30,000 troops in UK, Italy and Turkey, resulting in total US forces in Europe of 225,000.

The new proposal was disclosed following visits by senior US officials earlier this week to tell European leaders.

This proposal is intended both to satisfy widespread Congressional demands for a cutback in US forces in Europe in view of the reduced Warsaw Pact threat and to ease the withdrawal of Soviet forces from several East European countries.

Congressional leaders had made clear that without such a change in the US's conventional force proposals the administration's defence Budget would have been radically altered as it went through the Senate and the House.

Mr Bush is therefore seeking to gain the initiative in such debates by showing that he has adjusted to the new international climate and the reduced Warsaw Pact threat.

The US has, however, no intention of pulling out of Europe and the base closures announced on Monday were essentially peripheral to its continuing core defence commitments. Concern has been expressed by, for instance, British ministers about the dangers of too rapid or big a cutback in view of the impact this might have on defence spending by European members of Nato.

Mr Bush and Mr Gorbachev are also believed to have discussed the current negotiations to secure a 50 per cent cut in each country's strategic nuclear arsenals. Mr James Baker, the US Secretary of State, will visit Moscow next week with the aim of removing obstacles in the way of agreeing at least the main points of a treaty by the time of the superpower summit in the US in late June.

The new US position will be discussed by Nato foreign ministers in 10 days' time when they meet in Ottawa for discussions with their Warsaw Pact counterparts. The main aim is to consider the US's Open Skies initiative to permit mutual, aerial inspection of troop movements and deployments. However, the new initiative will now feature prominently in the discussions.

Higher taxes on carbon fuels urged to reduce pollution

By Maurice Samuelson in London

DRASTIC measures to combat global atmospheric pollution caused by burning carbon fuels were urged yesterday by the International Energy Agency.

The Paris-based organisation, which represents most of the world's non-communist industrial states, said Governments should urgently consider steep taxes on carbon fuels and increased efforts to reduce energy wastage.

The idea of a "carbon tax" would effectively double the price of coal, leading to a 20 per cent increase in energy prices in countries belonging to the Organisation for Economic Co-operation and Development.

Mrs Helga Steeg, the agency's executive director, said: "The economic costs of meaningful counter-measures will be very heavy.

"Effective economic and technical adjustments will have to be introduced gradually, over years and even decades."

The agency, which predicted a 50 per cent rise in energy use in the next 15 years, denied it was making specific recommendations. However, ideas would be presented for decision-making by members of the Inter-governmental Conference on Climate Change in November.

Mrs Steeg pointed out that the OECD countries alone could not contain the world's greenhouse gas emissions. About half the world's energy requirements belong to developing countries and centrally planned economies, whose share may reach 60 per cent by 2005.

The agency gave examples of the steps which could be needed to stabilise energy related emissions of carbon dioxide – the main "greenhouse" gas blamed for global warming.

They included a "very substantial" tax on the carbon content of fuels: $50 on a tonne of coal, $8 per barrel of oil and $1 per million British Thermal Units of natural gas.

As well as increasing consumer energy prices by 20 per cent, these moves would slow the rate of growth of carbon dioxide emissions in the OECD by half to the year 2005.

They would then be about 13 per cent higher rather than the projected increase of 25 per cent if no such measures are taken, the IEA says.

The agency rules out as impracticable a switch to nuclear power for electricity generation throughout the OECD over the next 20 years, matching the 70 per cent nuclear contribution of total electricity generation in France.

But even if such a switch were made, it says, it would barely come close to keeping energy related carbon dioxide emissions in OECD constant by 2005.

● In London, the Association for the Conservation of Energy, a private lobby group, published a report claiming it was technically and economically feasible to reduce carbon dioxide emissions by 40 per cent over the next 15 years.

Separately, Greenpeace, the environmental group, called for a 30 per cent cut in greenhouse gases by 2000.

Shearson drops plan for public share offering

By Alan Friedman in New York

AMERICAN Express yesterday cancelled a planned public offering of shares in its Shearson Lehman Hutton investment banking and brokerage subsidiary. Shearson instead will raise $250m through an offer to existing shareholders.

American Express will take up at least 69 per cent and subscribe for any shares not taken up by other shareholders.

The cancellation of the offer comes on the heels of Mr Peter Cohen's dramatic resignation on Tuesday evening as chairman and chief executive of Shearson.

Mr Cohen, who will stay on as chairman until March 1, is being replaced as chief executive by Mr Howard Clark, chief financial officer of American Express. Mr Warren Hellman, a former Lehman Brothers partner who is general partner of Hellman & Friedman, a California investment firm, will become Shearson's non-executive chairman. Hellman & Friedman recently agreed to invest $75m in Shearson.

Later, probably before the summer, American Express plans to dilute its equity stake in Shearson from 61 per cent to 45 per cent by paying its own shareholders a special dividend in Shearson shares. Had the public offer gone ahead, American Express's Shearson stake would have been diluted to about 49 per cent.

The latest moves reflect the decision by American Express to take a more direct management and financial role at Shearson. Mr Clark, for example, will continue in his role as executive vice-president at the parent group, and American Express said it would not name a successor as chief financial officer. In addition, Mr Harvey Golub, chief executive of American Express's IDS financial planning subsidiary, is to become a special trouble shooter at Shearson.

The subsequent dividend will be paid either directly in the form of Shearson stock or by way of the issue of shares in a new corporate entity that will hold Shearson stock.

Although American Express may have to pay $250m now and hold Shearson stock on its books for a few months, it will avoid having to take a $60m charge associated with revaluing its Shearson holdings had the public offer gone ahead.

The boss steps down, Page 14; Lex, Page 16

De Klerk: limited programme

De Klerk unlikely to unveil key SA reforms

By Patti Waldmeir in Johannesburg

MR F.W. de Klerk, the South African President, is unlikely to meet international expectations of major political change when he opens parliament in Cape Town tomorrow.

His address is expected to include a limited programme of reforms, and he does not seem ready to set a date for the release of Mr Nelson Mandela, jailed leader of the African National Congress (ANC).

Senior officials of the ruling National Party yesterday sought to play down expectations that Mr de Klerk would unveil immediate and sweeping reforms, cautioning specifically against speculation that a release date for Mr Mandela would be announced.

Failure to set a release date is likely to disappoint Western governments anxious to see Pretoria maintain the momentum of change.

Mr de Klerk's speech also seems likely to omit a number of other major steps which have been demanded by the international community. The chief provisions of the three-year state of emergency seem unlikely to be lifted; there is not expected to be an immediate legalisation of the ANC; and the release of political prisoners is also viewed as unlikely.

Party officials stressed, however, that Mr de Klerk would do more than outline "eventual goals." He would indicate concrete steps to be taken this year. Mr Mandela's release is still expected soon.

The officials noted that last minute changes may be made to the President's speech before delivery, but said it was viewed as inappropriate to announce a release date tomorrow.

These are likely to include:

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De Klerk: limited programme

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Algeria attempts bold U-turn on road to economic reform

A boast that Algeria would soon be the Japan of Africa has turned out to be wishful thinking. The path of change can be hard as President Chadli Benjedid (left) has found since he began bold reforms. Page 4

MARKETS

STERLING
New York close
$1.6775
London:
$1.68 (1.683)
DM2.835 (2.8275)
FFr9.6275 (9.61)
SFr2.525 (2.5075)
Y242.75 (242.25)
£ Index 89 (88.9)

GOLD
New York: Comex Apl
$417.8
London:
$ 412.75 (419.25)

N SEA OIL (Argus)
Brent 15-day Mar
$19.825 (19.90)

Chief price changes yesterday: Page 17

DOLLAR
New York close
DM1.6885
FFr5.7325
SFr1.5035
Y144.55
London:
DM1.687 (1.6805)
FFr5.73 (5.71)
SFr1.5035 (1.4895)
Y144.55 (144.0)
$ index 67 (66.8)
Tokyo close: Y144.4

US Lunchtime Rates
Fed Funds $8\frac{3}{16}$%
3-mo Treasury Bills: yield: 8.015%
Long Bond: $95\frac{7}{8}$
yield: 8.502%

STOCK INDICES
FT-SE 100:
2,337.3 (+15.3)
FT Ordinary:
1,864.0 (+11.0)
FT-A All-Share:
1,167.15 (+0.5%)
New York close
DJ Ind. Av.
2,590.54 (+47.30)
S&P Comp
326.81 (+3.83)
Tokyo: Nikkei
37,188.95 (−26.72)

LONDON MONEY
3-month interbank: closing $15\frac{1}{16}$ (same)
Liffe long gilt future: Mar $87\frac{31}{32}$ ($88\frac{1}{16}$-$88\frac{17}{32}$)

EUROPEAN NEWS

Kosovo riots threaten foundations of the Yugoslav federation

By Judy Dempsey in Sofia

YUGOSLAVIA'S southern province of Kosovo could be heading towards a civil war if the federal authorities do not respond quickly to the demands of the ethnic Albanian majority.

Thousands of armed police are in Kosovo following a week of demonstrations by the ethnic Albanian majority who are demanding free elections and an end to Serbian rule of the province. Five more people were killed there yesterday in fresh clashes between police and ethnic Albanians. Unrest also spread for the first time to Belgrade and three other republics, where tens of thousands of Serbs held rallies and called on the federal army to be sent in.

Well over 20 people have been killed in Kosovo in some of the bloodiest clashes between police and ethnic Albanians since March, when Serbia imposed a state of emergency on the region.

Serbia regained direct control of Kosovo in December 1988, after Mr Slobodan Milosevic, the then party leader of Serbia, pushed through changes to the Serbian constitution. These effectively put an end to the autonomy of Kosovo, which is constitutionally linked to Serbia.

In Belgrade, the federal and Serbian capital, thousands of young Serbs gathered yesterday outside the National Assembly demanding that the small Serb and Montenegrin minority in Kosovo be protected. Their emotional slogans, whipped up by the pro-Milosevic Serbian press, suggest that feelings among sections of the population will force the Serbian leadership to take a firm line on Kosovo.

Mr Milosevic, a nationalist who has used the Kosovo issue to promote his own political ambitions, repeatedly claims, without evidence, that the ethnic Albanian majority discriminates against these minorities, forcing them into leaving the province altogether.

Delegates from the Serbian and federal leadership held talks in Kosovo earlier this week. But it is clear that unless the present pro-Serbian/Milosevic leadership is replaced by a more sympathetic ethnic-Albanian one, the situation will deteriorate.

Unlike last March, however, the ethnic Albanian intellectuals are now no longer afraid to organise themselves politically or to speak out. The prospect of a multi-party system and free democratic elections, to which the ruling Communist party and the Government are committed, has given the long-muzzled ethnic Albanians a chance to articulate their grievances.

But as the tension and violence continues, the six republics and two provinces are openly divided on the future of Kosovo.

Kosovo can rely on Slovenia, Croatia and Bosnia-Hercegovina in its demands for autonomy from Serbia, while Serbia can rely, for the moment at least, on Macedonia and sections of the leaderships of Montenegro and Vojvodina.

In effect, the Kosovo issue is no longer a purely Serbian affair. It is a Yugoslav problem, which, if it continues to remain unsolved could seriously undermine the integrity of the Yugoslav Federation.

Muscovite's Big Mmmmm

Long wait for fast food in Moscow

By Mark Nicholson in Moscow

AN ESTIMATED 15,000 Muscovites yesterday eschewed the opportunity to queue for two hours for their usual bread and meat and spent two hours instead queueing for hamburgers: fast food had arrived in Moscow.

A steady line of curious and hungry Muscovites 400 yards long greeted the opening of the Soviet Union's first McDonald's, the trim canopy of which swoops out incongruously from beneath a brown drab apartment block in Pushkin Square.

What drew them? "Fast service, you get your food at once," said Valeri, a 40-year-old driver, with commendable double think after two hours in the line.

To be fair, once inside the spanking bright restaurant, replete with a mural of Rio de Janeiro and eight-foot high models of Big Ben and the Eiffel Tower, the 200 pink and clearly flustered young counter staff served up the Macs and fries with a bustle that left most locals incredulous. At Rbs3.75 (£3.75) per Big Mac, people were divided over whether this was expensive or cheap.

Once served, in most cases with one of everything and perhaps a string bag full for friends and family besides, Moscow's fast food pioneers munched with nonchalant content as though they had been doing it all their lives.

There were one or two technical difficulties, however. "It's very tasty, but difficult to eat," said 23-year-old shopworker Ludmilla struggling with an oozing handful of Big Mac. "It all falls out."

Plastic straws also seemed to be disappearing in great handfuls out of the door at an alarming rate.

Everyone had a good word to say about the freshness and quality of the food, as anyone who has tasted Soviet sausage would expect. Some had most un-Western views about its goodness. "We're used to bread dishes, but this is much better for your health," said Valeri, after two Big Macs, an apple pie and a raspberry shake. One pioneer described the food as "cuisine."

Few of the happy customers, though, said they would be prepared to wait two hours next time, but they expected the lines to shorten as the novelty faded.

Outside in the unseasonably clement Pushkin Square, some sniffy Muscovites watching the queue dismissed the whole thing as a tourist stunt. "It's like going to the circus, not for every day," Alexei, a 10-year-old, said. He thought though that it would attract the 3m or so daily domestic tourists to the capital.

No-one seemed the least bit ruffled that the giant yellow "M" shining proudly over the square signalled the arrival in the Communist heartland of a great capitalist icon.

"I don't mind if it's a symbol of capitalism," said Alexei. "I've nothing against capitalism. Why should I have? Everything is changing. People's views are changing."

Could Dick and Mac McDonald have known when they opened their first drive in hotdog bar east of Pasadena 52 years ago that their company might become a straw in Mr Gorbachev's wind of change?

MLADENOV LIKELY TO BE REPLACED AS LEADER BECAUSE OF ILL HEALTH

Bulgarian party locked in succession fight

By Judy Dempsey

BULGARIA'S ruling Communist party is locked in a bitter dispute about who should replace Mr Petar Mladenov, who is expected to be replaced as party leader later this week because of his poor health.

The party, which is holding an emergency congress in an attempt to find ways to pull the country out of its economic and political crisis, remains largely dominated by conservatives from the provinces who are resisting any significant reforms to party structures.

Since coming to power last November following the palace coup against Mr Todor Zhivkov, Mr Mladenov has proved unable to achieve a thorough purge of the party or indeed any radical economic policies. If he resigns, he will, however, remain President.

The front-runners for the leadership include Mr Stoyan Mikhailov, an academic and former secretary for ideology, who in 1988 was expelled from the central committee by Mr Zhivkov for his pro-reformist ideals.

In recent weeks, Mr Mikhailov, who was re-admitted to the central committee last November, had adopted a more cautious approach towards economic and political reforms partly to retain unity in the party and partly because he believes radical changes could lead to instability.

The other contender is Mr Alexander Lilov, a former chief of ideology who was ousted by Mr Zhivkov in 1983. His liberal views and tolerance of the ethnic Turkish minority has made him a popular figure for the intellectuals but an unpopular one to conservatives.

Lilov: intellectuals' choice

Whichever candidate is chosen, the task of overhauling a neglected economy will be passed to the Government, whose hands have been tied until now by a Communist party reluctant to separate the powers of party and state.

Mr Georgi Atanasov, the Prime Minister, who has done little in the way of introducing economic reforms or strengthening the hand of the Government, will resign later this month. Party officials say that he could be replaced by either Mr Andrey Lukanov, the party's reform-minded number two, or by Mr Blagovest Sendov, the president of the Academy of Sciences, who is not a member of the Communist party.

The new Prime Minister, in an attempt to achieve national consensus, is expected to form a coalition Government aimed at preparing for the first free elections, now scheduled for May, and at facilitating the very difficult transition from a one-party state to a multi-party system.

West urged to spurn aid for Moscow

By Peter Riddell, US Editor, in Washington

THE WEST should not offer large-scale assistance to the Soviet Union since there is no prospect of restructuring communism, Mr Rodney Leach, a British businessman and director of Jardine Matheson, argues in the forthcoming issue of National Review, the US conservative journal.

Mr Leach's article is intended as a challenge to the views of Mr George Soros, the Hungarian-born and US based businessman who has been prominent in organising assistance for change in Eastern Europe and in advocating support for Soviet reform.

"The false problem of restructuring communism must give way to the real problem of dismantling it. The dismantling process cannot be piecemeal. Whole sectors of the Soviet economy will have to be freed completely. The Baltic states could form an ideal pilot project, operating as a free economic zone, akin to Hong Kong. A model would have been set for other Soviet Republics to follow."

The sole justifiable objective of large-scale financial assistance from western governments would be to ease the Soviet Union's exit from communism.

Mr Leach's scepticism about Mr Gorbachev's reform programmes is widely shared by US conservatives who strongly oppose any financial support for the Soviet Union unless there are fundamental changes in the system.

Lionel Barber adds: Senior Democrat members of the Senate Foreign Relations committee have drawn up plans to provide more than $500m in aid to Eastern European countries trying to break away from communism.

The Democratic package - well above President Bush's $300m proposal - would expand last year's Poland-Hungary assistance programme to include Czechoslovakia, Romania, Bulgaria, East Germany and Yugoslavia. It could also lead to limited assistance to the Soviet Union, to encourage free political and economic institutions.

The Democrat plan is certain to meet resistance from the Bush administration because its funding seems to be predicated on defence spending cuts. It could also clash with President Bush's priorities, such as a $1bn programme for Panama.

The administration is also likely to be concerned that the Democratic package attempts to target East European countries whose break with communism is far from complete. Unlike more "mature" revolutions in Poland and Hungary, the outcome in Rumania and East Germany is far from clear. The Democrat plan would add $511m to the $938m which Congress approved last year to encourage democratic and free market institutions in Hungary and Poland.

Kohl 'encouraged' by Gorbachev hint on German unity

By David Marsh in Bonn

MR HELMUT KOHL, the West German Chancellor, yesterday welcomed the Soviet statement on Tuesday accepting the principle of German unity.

Mr Kohl told the weekly cabinet meeting that President Mikhail Gorbachev's remarks reflected the latest historic changes in East Germany and amounted to "encouraging" support for Germany's aspirations to unification.

A milestone was passed yesterday in air traffic between the two Germanys as a Lufthansa airliner for the first time crossed the border on a commercial flight between the two German states.

Considerable West German pressure has built up in the last few weeks to try to persuade the US, Britain and France to relax the "corridor" regime governing air traffic between the two Germanys since 1945.

Yesterday's Lufthansa flight between Munich and Dresden carried a party of leading Bavarian politicians and businessmen for talks in the East German region of Saxony.

Meanwhile, Mr Hans-Dietrich Genscher, the Foreign Minister, said that extending Nato eastwards in a reunified German state would damage Soviet security interests.

In a speech in southern Germany, in which he implicitly suggested that present-day East Germany should be turned into a demilitarised zone, he reaffirmed that a reunified Germany would remain in Nato. "We do not want a neutral Greater Germany," he said.

Dissatisfaction is growing in Bonn that Britain alone among the four erstwhile Second World War allies which have formal responsibility for the German question, is still adopting a hesitant tone about unity prospects.

Mrs Margaret Thatcher, the British Prime Minister, annoyed Bonn officials by calling in an interview with the Wall Street Journal for the reunification process to be slowed down. Mrs Thatcher is thought in Bonn to place too much emphasis on maintaining the stability of the European political map, and not enough on living up to the UK's long-standing obligations to support German unity.

E German unions look for way to stay in business

By David Goodhart in Bonn

THE NEW leaders of East Germany's discredited trade union federation, the FDGB, which has lost two general secretaries and over 1m of its 8.5m members since November, began a two-day special congress yesterday to try to usher in a series of reforms which may save them from oblivion.

Many analysts believe they are already too late. The leaders have to shake off 40 years of passive subordination to the ruling party at a time when unofficial workers' organisations are springing up at many plants, primarily to stop sackings.

The special congress will endorse a new union statute establishing the FDGB's independence from party and state and devolving much more power, and money, to its 16 constituent unions. In the past the individual unions have had only a shadowy existence and had to hand over about 60 per cent of their income from members' contributions, soon to be reduced to 15 per cent.

The new leaders' insistence on a right to strike will be endorsed by a trade union law scheduled to pass through the Volkskammer (parliament) in March or April. However the Government does not want to hand over too much power to the labour force at a time when it is trying to introduce market reforms and attract foreign capital.

So the FDGB's lobbying for full legal backing for the rigorous form of worker participation in company decision-making which was always supposed to have existed in theory will probably fail.

The Government may, in fact, weaken the official union by passing a works councils law modelled on the system in West Germany which protects the rights of non-union members.

Mr Werner Peplowski, the provisional FDGB leader, says he supports the concept of a social market economy but admits to a preference for public ownership. The union's dilemma is that if it does now start behaving like an effective trade union – rather than merely a provider of holidays and cheap insurance for its members – it will inevitably make more difficult the transition to a social market economy.

On the other hand, if it does not protect its members they will take matters into their own hands, as they already have done in plants where fears of job losses are most acute.

The FDGB remains rich – it used to receive 1.2bn Marks (£426m) a year and has assets of 4.3bn Marks – but has a serious shortage of credibility, as revelations yesterday about its leaders' luxurious life-styles rubbed in. Acquiring credibility will be painful. About 80 per cent of the 15,000 full-time officials are soon to lose their jobs.

Income tax reduced in Irish budget

By Kieran Cooke in Dublin

MR Albert Reynolds, Ireland's Minister for Finance, yesterday unveiled a budget which offered a number of concessions to the hard-pressed Irish taxpayer and those on social welfare but levied new charges on a variety of services.

Mr Reynolds said Irish tax rates were excessive and out of line with other EC countries. He was therefore reducing the standard rate of income tax to 30% from 32%. The higher 56% income tax rate would be reduced to 53%.

Mr Reynolds also announced a cut from March 1st in the standard VAT rate from 25% to 23%.

While Mr Reynolds raised levels of various unemployment benefits and brought in a range of more generous welfare allowances, he brought in a new 10% VAT on telephones and electricity.

The "old reliables" – drinks and tobacco duties – were unchanged.

Mr Reynolds said that tax yields to the Irish Exchequer from the corporate sector, were, at 4% of the total, very low by international standards. He was therefore reducing various accelerated capital allowances. But the standard rate of corporation tax was reduced from 42% to 40% and the special 10% rate for manufacturing was left in place.

On taxes relating to financial institutions, Mr Reynolds imposed a 3% tax on new investments by Irish residents in all foreign and domestic unit trusts and other similar investment funds.

Mr Reynolds said Ireland had made considerable economic progress in the last three years but the national debt, at more than I£25bn, was a considerable constraint on development and prevented any more tax concessions.

"Given the size of our national debt there is no room for relaxation," said Mr Reynolds. The opposition in the Dail, the Irish Parliament, described the budget as a "minimalist document," lacking any clear vision or direction.

Mr Reynolds said there was great confidence in the Irish economy and "national morale was never as high."

Romania's opposition cautious about offer to share power

ROMANIAN opposition parties reacted warily yesterday to an offer by the ruling National Salvation Front to share power in a provisional government while establishing a separate political party to contest the May elections, agencies report from Bucharest.

The proposal by the Front to split into two organisations came after calls from opposition parties and intellectuals for the unelected administration, now ruling by decree, to become more democratic.

Criticism of the Front has also increased among potential Western aid donors, including the US and Sweden.

The National Liberal Party said the move by the Front did not answer its objections because the Front would still be running the government at the same time as participating in the elections.

The other main opposition party, the National Peasants Party, which claims to have some 260,000 members, said that if the Front won it would establish another Communist dictatorship "with a human face."

It was still unclear yesterday how the Front intended to establish itself as a separate political force outside the executive bodies. According to its own decrees on political parties issued earlier this month it would have to register as a party with the Bucharest municipal court.

The Front suffered a further defection when poetess Ana Blandiana confirmed her resignation from the ruling council.

"My presence in the council has become incompatible for a writer who has always been against the aggressiveness, hate and intolerance generated by power struggles," she said in a statement in Romania Libera newspaper.

Polish media seek help in West

By Christopher Bobinski in Warsaw

POLAND'S ailing media are looking to Western publishers for support as they reel from a five-fold jump in printing and paper costs in the past year and falling sales as cover prices rise.

RSW Prasa, a publisher owned by the former Communist party, has already closed a number of titles and will close more. With advertising revenues at a minimum, even popular weeklies like Polityka, with a circulation of more than 400,000, are experiencing difficulties.

The post-Communist liberalisation has produced a plethora of new Solidarity and other papers but these are also finding it difficult to survive without sponsors. The Catholic church has been forced to close a weekly in Warsaw which it founded in the early 1980s after a hard-won fight for permission to publish from the then Communist Government.

Already some 800 writers have lost their jobs and the figure could soon rise to more than 10 per cent of the country's 12,000 professional journalists.

Meanwhile, the Gazeta Bankowa, a recently founded financial weekly, is talking to Mr Jean-Louis Servan Schreiber's L'Expansion publishing group about bringing the paper out as a joint ventura, with a 51 per cent share held by the French.

The Gazeta Bankowa, which is aimed at Poland's nascent financial sector, is also planning a Russian language edition for sale in the Soviet Union.

Other hopefuls like the independent Respublica monthly are talking to, among others, the French Hersant group on jointly financing a new quality daily newspaper. Hersant was also involved in setting up a new transmitter broadcasting popular music in Krakow.

Polish television is also seeking Western partners for a joint venture. Already it has signed an agreement with Mr Justin Dukes, a former senior executive at Britain's Channel 4, for a feasibility study on turning the Second Programme into a commercial channel in which there would be a 30 per cent foreign holding.

- A matchmaking agency is needed to pair Western investors with Polish projects to help close the gap between a dynamic Europe and "a Europe of stagnation and scrimping", Mr Tadeusz Mazowiecki, the Prime Minister, said yesterday, Reuter reports from Brussels.

"We'll have to create something like a marriage bureau to match up Western initiatives to ours," he told Belgium's employers' federation. The agency could be run jointly and draw on European Community expertise, EC diplomats said.

Mr Mazowiecki was speaking after meeting his Belgian counterpart, Mr Wilfried Martens, on the first working day of a visit to Belgium aimed at drumming up Western economic support. He said Poland needed investment in agriculture, banking, telecommunications and other sectors.

He meets Mr Jacques Delors, the European Commission president, and other senior EC officials today.

OECD prescribes measures to make Greece more competitive

By Kerin Hope in Athens

THE GREEK tax and social welfare systems must be restructured for the economy to become more competitive after turning in a weak performance during the 1980s, says the Organisation for Economic Co-operation and Development (OECD).

Its annual survey of the Greek economy forecasts more disappointing results this year, with growth unlikely to exceed 2 per cent and the inflation rate rising to 17 per cent, at a time when the current account deficit has reached $2.5bn, or 5 per cent of gross domestic product.

Measures taken in December by the temporary coalition Government to increase revenues and reduce public sector spending will provide "only a temporary respite" from another sharp increase in the public sector borrowing requirement, which reached 21.5 per cent of GDP last year.

Broadening the tax base to include farmers, who make up a quarter of the workforce, and reducing tax evasion through improved fiscal efficiency, are essential if the budget deficit is to be substantially cut, the report says.

Increases in VAT receipts for 1988 and 1989 were only half the amount forecast, while personal income taxes rose by only 8 per cent, or less than half the increase in incomes.

In addition, the 44 state-owned "problematic companies" with heavy debt burdens should be closed or sold to the private sector, while government financing of farm co-operatives should be reduced, it says.

The report also calls for the retirement age to be raised to 60 or 65 (at present retirement is after 30 years' service) in line with other OECD member-states' and for the privatisation of health and education to be encouraged.

State pension outlays reached 15 per cent of GDP last year, while the pension funds' deficits have risen to total 9 per cent of gross domestic product.

Abolishing the index-linked wage system, or limiting it to lower income brackets, would help bring down inflation and increase productivity, the report adds.

Polish primate seriously ill after operation

CARDINAL Jozef Glemp, Primate of Poland's Roman Catholic Church, was seriously ill in hospital yesterday after two emergency operations for bleeding ulcers, Reuter reports.

The cardinal, 60, who has led the Polish church through a turbulent decade of political change, was conscious but in intensive care at the Brodno hospital in Warsaw

He was visited during the night by President Wojciech Jaruzelski, apparently underlining the gravity of his condition.

Under Cardinal Glemp, the church played a key role in mediating the Solidarity-Government dialogue that led to partly-free elections last June and the ousting of the Communists from power.

Zolotas: situation "under control"

Zolotas points the way for next administration

GREECE should achieve this year's target of trimming $300bn from a record public sector deficit but radical measures are needed to increase revenue and prevent the economy from slipping further behind the rest of the European Community, according to Professor Xenophon Zolotas, the country's 85-year-old Prime Minister.

In an interview with the Financial Times, he said: "The huge public sector deficit is impeding economic growth and maintaining a high inflation rate, and the efforts to cover it leave few banking resources available to the private sector."

Prof Zolotas, a former central bank governor who heads a temporary coalition Government, said his three-month-old administration had resorted to crisis management tactics to ensure that salaries and pensions could be paid after last year's deficit reached almost Dr2,000bn (£8bn), or close to 22 per cent of GNP.

To cover the January deficit, estimated at Dr120bn, Greece launched a 12 per cent one-year bond index-linked to the Ecu. This raised about Dr160bn, of which two-thirds came from abroad.

The Premier said that another index-linked Ecu bond might be issued in two to three months' time but stressed that government revenues had to be increased through another round of price rises and fiscal reforms designed to eliminate tax evasion.

The situation was "under control", he said, but the political constraints of heading an all-party Government meant he was unable to take more drastic measures to turn the economy around. Whatever Government took power after the April 8 election had to act decisively. "They have no other possibility. If the ship is holed, the captain and the crew must take measures to save it."

Inflation was currently at 16 per cent, three times the EC average, and might rise another percentage point this year, while growth was likely to be around 2 per cent, he said.

Prof Zolotas said the Conservative, Socialist and Communist party leaders had reached agreement on a plan to sell off, or shut down, this year a number of heavily indebted industrial companies which had been placed under state control in the early 1980s to save jobs.

"The state as entrepreneur has not been very successful. But there is real interest being shown in some of these companies by foreign businessmen," he said. Unloading the "problematic companies," as they are called, would reduce public sector outlays by at least Dr100bn a year.

The professor, who will stay on as caretaker Prime Minister during the election campaign in March, said he was delighted with the co-operation shown by the three political leaders, with whom he held weekly discussions. None of them is a member of the Government.

"I think that political maturity is growing and ideology is less important than in the past," he said. "I'm impressed by the consensus that's taking place."

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Prague holds talks to restore Vatican ties after 30 years

CZECHOSLOVAK Foreign Minister Mr Jiri Dienstbier held talks yesterday with a papal representative on restoring ties between newly democratic Czechoslovakia and the Vatican, while state radio announced plans to resume broadcasting Masses and other religious programming, AP reports from Prague.

Mr Dienstbier, meeting with special Papal Nuncio Archbishop Francesco Colasuonno, also discussed the visit of Polish-born Pope John Paul II, planned for April 21-22, as the new government seeks to restore sanctioned religious observances following decades of repression.

The official CTK news agency said the talks concerned "the early resumption" of diplomatic relations between Czechoslovakia and the Vatican, suspended during the 1950s in line with communist dogma followed throughout the east bloc.

Poland last year became the first east bloc nation to restore ties with the Vatican, following *legislation* recognising the legal status of the Roman Catholic Church for the first time since World War II.

Religious life is resuming publicly throughout Czechoslovakia with government encouragement.

In Moravia, for example, 11 men's religious orders, including Jesuits and Dominicans, are being restored and will work to develop church activities on the parish level, CTK reported.

The orders' activities were suspendend in the 1950s, although they never ceased to exist, the region's archbishop, Frantisek Vanak, told CTK.

Vanak's Sunday Mass will be the first broadcast by state radio, which will carry the ceremony live. The department of religious life is being established by state radio in consultation with representatives of the Ecumenical Council of Churches, the Catholic Church and the small Jewish community, the agency said.

Last week, the Czechoslovak parliament abolished the state license that had been required for priests and was used by the Communists to screen politically troublesome clergy.

On Saturday, President *Vaclav Havel joined thousands* of believers at a ceremony for the first Catholic bishop to be consecrated since the nation's peaceful November revolution.

Calfa says Comecon links breaking down

CZECHOSLOVAK Prime Minister Mr Marian Calfa said yesterday that communication within the Soviet-led trading bloc Comecon was breaking down and Prague was watching Austria's bid for European Community membership with interest, Reuter reports from Vienna.

"Communication within the Comecon organisation is ceasing to function and it will be necessary to seek new forms of cooperation for all European states," Mr Calfa said at a news conference during his two-day visit to Austria.

Austria applied to join the Community last year and some reformist East European states have also expressed interest.

Austrian Chancellor Franz Vranitzky said that during his talks with Calfa he had pledged to facilitate access for Czechoslovakia to international bodies such as the Organisation for Economic Cooperation and Development (OECD).

Mr Calfa said his government would introduce laws in 1990 to allow private ownership and investment and the transfer of profits abroad.

Havel's travels: Czechoslovakia's cabinet on the move

Leslie Colitt, recently in Prague, looks at the progress of a peripatetic president and former dissidents

LIFE has become a political whirlwind for Mr Vaclav Havel, the Czechoslovak President, and his fellow ex-dissidents who were propelled to power little more than two months ago.

In one recent 24-hour span, the playwright President welcomed *the non-Communist* leader of Poland to Prague, exchanged pleasantries with the visiting Israeli Finance Minister – in a prelude to diplomatic recognition this month – and, after swapping his tie and jacket for the more familiar sweater, talked shop with Mr Frank Zappa, the American pop musician.

Descending from Prague Castle, Mr Havel then proceeded *to humble Communist* deputies in the federal assembly who had refused to give up their seats in favour of representatives from his Civic Forum.

He announced that Czechoslovakia would become a republic, without the "socialist": but with its old state emblem. Hundreds of his Civic Forum supporters, mainly students who led the November 17 "Velvet Revolution" stood outside parliament chanting slogans against the Communist deputies. It was a reminder that Civic Forum is still the only political force in Czechoslovakia that matters.

Later, President Havel dropped in on Civic Forum headquarters where he downed a beer and bantered with the movement's leaders. Like himself, before November 17, they were under 24-hour surveillance by the security police.

Outside, hundreds of citizens cheered the President and *when he left went back to* watching re-runs of the November revolution and the 1968 Soviet-led invasion on two television monitors.

Mr Havel insists he will remain president only until free elections on June 9 and refuses to exchange his comfortable flat at the Vlcava River for the cavernous presidential suite at Prague Castle.

But Mr Jan Urban, a long-*time dissident* and Civic Forum spokesman, said Mr Havel was likely to "listen to the voice of the people" and stay on as president. "He's enjoying the job," Mr Urban noted.

President Havel has just been to Warsaw and Budapest to round out his meetings with Czechoslovakia's immediate neighbours. The noteworthy exception was the Soviet Union, once a mandatory first port-of-call, which he will visit in early February.

His first venture abroad was a one-day visit in early January to the two Germanys, a deft political gesture for a leadership seeking rapid integration into Europe. It was also his first visit outside Czechoslovakia in more than 20 years, apart from a brief, illegal foray into Poland a few years ago to confer with Solidarity activists in the mountains.

While in Warsaw, Mr Havel called for an international peace conference to resolve the cold war *and an end to the* artificial division of Germany and Europe. His advocacy of the abolition of military blocs and a European security system without superpowers is likely to be high on the agenda when he visits Moscow.

The peripatetic new Czechoslovak Foreign Minister, Mr Jiri Dienstbier, meanwhile, has also been making up for 22 years of confinement as a leader of the Charter 77 human rights movement. An ex-Communist reformer in 1968 he previously served as a Czechoslovak Radio correspondent in Washington and Peking.

MR Dienstbier, who rode the Metro to his previous job as a stoker, is now chauffeured in a grey Mercedes to his new office in the baroque Cernin Palace. He says he is putting in 18 hours a day to help "get us back to Europe, where we always belonged, as quickly as possible." His haste is understandable.

Appropriately his first official act was to cut the barbed wire at the Austrian border with Foreign *Minister Alois* Mock, a symbolic act repeated shortly afterwards with West Germany's Foreign Minister, Mr Hans-Dietrich Genscher at the West German frontier.

On a lightning visit to Italy for a foreign ministers meeting in Venice of the Council of Europe, the Czechoslovak Foreign Minister stopped over in Rome for an audience with the Pope, *thus ending the former* Communist Government's vir*ulent anti-church campaign.*

Mr Dienstbier is not overly religious but President Havel won over millions of faithful Catholics, especially in Slovakia, by becoming the first Czechoslovak president in more than 40 years *to attend* mass at St Vitus Cathedral on his *inauguration* day.

Talks with Soviet representatives began recently in Prague on the withdrawal by the end of this year of an estimated *60,000 Soviet troops in Czecho*slovakia who, Mr Dienstbier noted, were in the country "illegally" since the Soviet-led occupation in August 1968.

The head of the Soviet delegation blithely replied that it was never *Moscow's intention* to intervene in Czechoslovakia's internal affairs, assuring the Czechoslovak side that Moscow identified itself with Prague's demand for the withdrawal of troops.

Frank Zappa, US musician, and Vaclav Havel, Czechoslovakian president

Australian annual inflation rate worsens

By Chris Sherwell in Sydney

AUSTRALIA's dismal inflation performance was underscored yesterday with the release of figures showing a 7.8 per cent rise in the consumer price index for the year to December.

The figure compares with 8 per cent for the year to September. But after adjusting for a change in the treatment of costs introduced in March, the annual inflation rate in fact rose to 8.5 per cent from 8.3 per cent.

The conflicting interpretations provoked a mixed political and market reaction. The figures confirm that the country continues to perform significantly worse on the inflation front than all its main trading partners except the UK.

The figures commanded particular importance because of debate over the Labor Party Government's strategic decision 10 days ago to ease its tight monetary policy and reduce interest rates.

At the time Mr Paul Keating, the Federal Treasurer, said the adjustment was appropriate because of the marked slowdown in domestic spending. But others wondered if it was premature and suggested that, with an election due by May, the move was partly political.

Yesterday the Government predictably chose to concentrate on indications in the prices statistics that inflation had peaked. Mr Keating said that a further easing in monetary policy was "not in our minds right now".

The opposition Liberal and National party coalition singled out the alternative figures. Dr John Hewson, the shadow Treasurer, said there was "little doubt" Mr Keating was "pushing the pace on interest rate reductions to meet his political timetable".

On Sydney exchanges the Australian dollar strengthened, firming half a cent against the US dollar to 77.05 cents and rising to 59.4 (May 1970=100) from Tuesday's 58.6 on a trade weighted basis.

The Reserve Bank's weekly tender of Treasury Bills saw yields on 90-day paper drop again, to 15.998 per cent from 16.269 per cent last week, foreshadowing a further fall in the Bank's 17.3 per cent rediscount rate today.

Attention also focuses today on publication of the monthly balance of payments figures for December, a shorter trading month than most. Again, analysts are looking for signs confirming a slowdown.

Ghosts of 1965 haunt Delhi's bid to tame Kashmir

David Housego reports on fears which are being revived by India's Moslem uprising

SENIOR Indian officials now believe that the dangers the country faces in the north-west state of Kashmir *are greater than in 1965* when India and Pakistan went to war for the second time over the territory.

The comparison with 1965 haunts officials. That occasion also saw the Government headed by a new and inexperienced Prime Minister, Mr Lal Bahadur Shastri; and, in Indian eyes, Pakistan was testing its vulnerability through incursions first in the western desert of the Rann of Cutch and then through Kashmir.

The dangers are greater this time because the unrest in Kashmir has never been so widespread. India faces a Moslem insurgency which commands almost universal support.

The Indian analysis is that Pakistan believes this provides *them with a "golden opportunity"* to achieve at minimal cost a goal they have nurtured since Partition – namely to sever Kashmir from India and bring it under the sway of Pakistan.

Indian officials hope that the strong warnings delivered last week against Pakistani interference across the "line of control" – no common border has been agreed in Kashmir – will jolt Pakistan into restraint. The US and the Soviet Union are also said to have urged prudence.

Pakistan has continually denied that it provided weapons *and training for the Kashmiri* insurgents. Mr Yakub Khan, the Pakistan Foreign Minister, maintained this line in his nationwide broadcast on the Kashmir dispute on Tuesday night.

Though he repeated Pakistan's long-established position that Kashmir is a disputed territory with the right to self-determination, he also said that Pakistan was committed to the Shimla accords. Under the Shimla agreement, signed in *1972 after the last Indo-Pakistan war*, both sides pledged to resolve disputes peacefully and prevent "the encouragement of any acts detrimental" to their relations.

The unexpectedly sharp Indian reaction yesterday – accusing Mr Khan in his broadcast of "direct incitement to subversive violence and terrorist activities" – *shows that* the temperatures remain high. Indian officials now foresee a long period of tension carrying the risk that the situation could get out of control leading to a conflict that neither Indian Prime Minister V.P. Singh nor Prime Minister Benazir Bhutto of Pakistan wants.

On the Indian side, the unpredictability stems from the difficulties that Delhi will *have in bringing the insurgency* in the Kashmir Valley under control. Virtually all observers who have been there agree that Kashmiri anger runs deep and will not easily go away. Delhi sees April or May, when the snows melt on the Kashmir hills and it is easier for men and equipment to be moved across the border, as the time of maximum danger. Mr Singh's minority administration – likely to come under increasing pressure from Hindu militants – has little leeway to make political concessions which will appease Kashmiris.

On the Pakistan side, the risk of the situation getting out of control stems from the uncertain political horizon in Pakistan. The Indian analysis is of a country pulled in different directions by competing power bases – Ms Bhutto and her ruling People's Party, the armed forces under General Aslam Beg, the intelligence services, and the increasingly vocal opposition under Mr Nawaz Sharif determined to drive Ms Bhutto from power.

In Indian eyes the political temperature in Pakistan is likely to rise in the foreseeable future, with Ms Bhutto due to face a vote of confidence in March. President Ghulam Ishaq Khan is also due in March to lose some of his exceptional powers under a time frame set down by former President Zia-ul-Haq. With the *President's power diminished*, the tussles between other elements are likely to become more public.

India thus sees the Kashmir dispute as being increasingly sucked into the cauldron of Pakistani domestic politics. One sign of this already is the calling of a joint session of the Pakistani Parliament on February 10 to discuss Kashmir.

Other factors are also cited by Indian officials as prompting Pakistan – or elements within the country – to try to exploit the unprecedented opportunity provided by the insurgency in Kashmir. Apart from Mr Singh's administration being a new one – as Shastri's was in 1965 – it is also preoccupied with key state assembly elections to be held next month.

In *global terms*, the Soviet *Union*, India's *main ally*, is so absorbed with its own domestic problems that is not as supportive as it was in the 1960s or 1970s. Events in eastern Europe *and Soviet Azerbaijan* are distracting world attention from "small wars" on the subcontinent.

All these factors have combined to feed Indian fears, insecurity and paranoia. They *focus on an issue which is at* the heart of India's identity as a secular state. Without Moslem Kashmir, Indian arguments since partition that the country provided a home to both Moslems and Hindus would lose their meaning.

Indian officials see that realistically there is little their country can do to put a stop to Pakistani rhetoric over help for Kashmiri "freedom fighters" or "Moslem brethren". They are *nervous of Pakistan raising the* issue in the Moslem world and are seeking to counter it. They feel that with Soviet support they have now blocked Pakistan from raising it in the United Nations.

But Indian officials say that Delhi is determined to halt the flow of weapons and men across the frontier – assistance that Pakistan denies giving. "*What we are trying to* do," says one official, "is to persuade them that it is not worthwhile unless they want to go to war. If they want war, then there is no alternative to it."

But the same officials feel that there are many pressures within Pakistan against risking a further conflict with India. The first of these is that none of the Pakistani leaders who have been in power dur*ing a conflict with India* have survived the aftermath. Secondly, there is a large middle class constituency in Pakistan which has no wish for war. Finally, many Pakistanis regard Kashmir as a dubious asset and one not worth fighting over. India nonetheless remains determined to hang on to it at all costs.

Moslems in Delhi protest at what they see as Pakistani support for a Moslem revolt in Kashmir

Pakistani broadcast irks Delhi

By K.K.Sharma in New Delhi

INDIA yesterday reacted with unexpected hostility to the broadcast of Mr Yaqub Khan, the Pakistan Foreign Minister, on Tuesday, describing as "deliberately fallacious" his description of recent events in Kashmir.

An official spokesman of the Ministry of External Affairs said Mr Khan's broadcast showed that Pakistan "persists in its efforts to involve itself in our internal affairs."

What seems to have upset New Delhi was reference to movement by militants in Kashmir and to Pakistan's declaration that it could not be indifferent to the events there.

The spokesman said Mr Khan's "rhetoric used in the broadcast amounts to direct incitement to subversive violence and terrorist activities in a part of India."

He added: "We are concerned that Pakistan is deliberately intervening in our internal affairs. We would like firmly to reiterate that Kashmir is, and will continue to be, an integral part of India."

Beirut battles erupt despite ceasefire call

By Lara Marlowe in Beirut

BATTLES between Christian militiamen under Mr Samir Geagea and soldiers loyal to General Michel Aoun erupted yesterday in east Beirut and along the coastline north of the city.

The conflict broke out mid-morning yesterday and escalated throughout the day, *despite a call for a ceasefire. In* the afternoon, shells could be heard exploding every few seconds. The militia's headquarters at Qarantina, next to Beirut port, was the target of much of the army's artillery fire. Ships could be seen heading at full steam out to sea to avoid the battle.

By nightfall, neither party had gained a definite advantage. Mr Geagea's Phalange militia seized the Lebanese Air Force landing strip and three Hawker Hunter aircraft at Halat, near Byblos, while Gen Aoun's forces held the Casino du Liban between the Pha*lange strongholds of Jounieh* and Byblos. Gen Aoun's men earlier took over four Phalange barracks.

Monsignor Pablo Puente, the papal nuncio, and the Maronite Patriarch Nasrallah Sfeir had pleaded in vain for moderation after Gen Aoun vowed to have the militia disbanded on Tuesday night.

"God have mercy on the Christians," Patriarch Sfeir said on Lebanese radio yesterday.

Tension between Gen Aoun and the Phalange had increased steadily since members of the Phalange party participated in the drawing up of the Taif peace accord last October. Gen Aoun rejected the accord because it allowed 40,000 Syrian troops to remain in Lebanon.

For their part, the Phalange reproached Gen Aoun for having drawn Lebanon's Christians into an ill-prepared "war of liberation" against the Syrians.

Gen Aoun rejected an appeal earlier this month by Mr Gea*gea for an inter-Christian* conference. Instead, Gen Aoun attempted to provoke a showdown with the Phalange on January 16 when he ordered the media to refrain from calling President Elias Hrawi or Prime Minister Selim el Hoss by their titles.

The Christian militia stopped newscasts on its radio and television stations for one week in protest.

The majority of the Lebanese army is now with the new commander-in-chief, General Emile *Lahoud, outside the Christian* enclave. But the approximately 15,000 Christian soldiers still loyal to Gen Aoun have for the past month engaged in a 'poster war' with *the Phalange*, with both sides defacing portraits of the other's leaders.

The same Christian troops and militiamen fought one another for four days in February 1989. Eighty-two people were killed and another 209 were wounded in that battle, which lasted four days and was stopped through Iraqi intervention. Iraq had been arming both Gen Aoun and Mr Geagea's forces for a confrontation *with Syria and did not want its* allies using Iraqi weapons to fight one another.

The Phalange fought loyally, if grudgingly, alongside Gen Aoun's troops last summer. They did not represent a threat to Gen Aoun, who maintains a strong following in the Christian enclave. But he has made it clear that he will no longer tolerate any other authority in the Christian enclave, not even that of a loyal opposition.

"*Patience has its limits*," Mr Geagea said yesterday, referring to repeated efforts by Gen Aoun to incite a conflict with the militia. "I will not let this man drunk with power slaughter the Lebanese forces." The Phalange militia was founded by the late Pierre Gemayel in 1936 but changed its name to the 'Lebanese forces' after Phalangists carried out the Sabra and Chatila massacres in 1982.

If the Phalange continues to fight, Gen Aoun's troops could probably win, but only after days of fighting and much loss of life. In the meantime, the man who benefits most from the inter-Christian power struggle is the man they both claim to oppose, President Hafez Al-Assad of Syria.

Gen Aoun: set deadline.

Savimbi breaks off tour as Unita faces offensive

By Peter Wise in Lisbon

ANGOLAN rebel leader Jonas *Savimbi unexpectedly broke* off a European tour yesterday as strongholds of his Unita guerrilla movement came under what he described as the biggest air offensive ever mounted in Angola's 15-year civil war.

Mr Savimbi said Angolan government forces had launched an intensive bombing campaign around the rebel-held town of Mavinga, Unita's main defensive position for its bush headquarters at Jamba in southern Angola.

The Portuguese news agency Lusa quoted a military source as saying more than 500 Unita *rebels were killed.*

Government military sources *in the Angolan capital*, Luanda, said Mavinga was about to be taken after government forces had broken through Unita's first line of defence. Lusa said government troops led by armoured cars had broken through rebel defences, crossed the Lomba River and advanced to about 12 km from Mavinga.

"The fall of *Mavinga* is only a matter of hours," Lusa quoted the government source *as saying.*

However, Mr Savimbi told a Lisbon news conference "The town is safe. It cannot be taken."

The rebel leader said Unita guerrillas resisting the offensive *shot down two MIG 23s* and a helicopter on Tuesday with what he implied were US-supplied Stinger ground-to-air missiles. Washington reportedly supplies the rebels with $50m a year in military aid.

Government forces were using fragmentation bombs to attack the area around Mavinga, where 11,000 Unita supporters live. He said Angolan troops were also advancing towards Jamba from the west, close to the border with Namibia.

Unita says 9,000 guerrillas have been holding off an offensive in the south since December 23. *The rebels* say the government force is 12,000 strong *and equipped with Soviet-supplied* tanks and war planes.

If the air attacks force Unita to retreat from the Mavinga area it would provide government infantry forces with an opening to cross the Lomba river north of the town and advance further towards Jamba, according to analysts.

The offensive is apparently aimed at strengthening the negotiating position of the Soviet- and Cuban-backed government. *Efforts for a peace* settlement, mediated by President Mobuto Sese Seko of Zaire, have been at an impasse since a short-lived cease-fire collapsed last June.

Mr Savimbi cut short a *planned nine-day visit to Portugal* after four days so he could return to Africa to co-ordinate the defence of Mavinga. His European tour, aimed at drumming up support for Unita, would also have taken him to Belgium, Switzerland and West Germany.

He was making his first visit to *Lisbon* since 1975, when independence from Portugal plunged Angola into civil war between rival independence movements. Lisbon, which has close ties with the Luanda government, had persistently refused him a visa but lifted the entry ban after peace talks began in Angola.

Correction

Liberian Mining Corporation

A REPORT on January 31 incorrectly stated that the families of employees of the Liberian American Mining Company had been evacuated from its iron mine at Yekepa, Nimba County.

The company, whose correct title is the Liberian Mining Corporation (formerly the Liberian-American Swedish Minerals Company), says no such *evacuation has taken place.* The employees' families have never been under direct threat from rebel activity, occurring at least 50km from the mine site at Yekepa.

Algeria attempts a bold U-turn on the road to economic reform

Francis Ghilès, recently in Algiers, looks at the challenges facing the Government in its attempt to create a market-based economy

AT the height of the oil boom in the early 1970s Algeria's economic overlord of the day, Mr Belaid Abdesselam, boasted that his country would be the Japan of Africa by the year 2000.

It was, to put it kindly, wishful thinking.

The country's economic system, predicated more than anywhere in the Arab world on the communist model of high investment in heavy industry, required a more radical overhaul than the piecemeal reforms which got under way in the following decade.

Production stagnated, and the workforce grew steadily more resentful.

The collapse in the price of hydrocarbons – which account for more than 95 per cent of *Algeria's export income – cut* by half the country's purchasing power abroad between 1986 and 1988, while the riots of October 1988 finally demol*ished the myth encouraged by* Mr Abdesselam and shattered the once all-powerful Front de Liberation National.

The demonstrators who took *to the streets that October* were determined to expose what most Algerians had known all along – the state pretended to pay them while *they pretended to work.*

More than a dozen political parties have since been legalised. The freedom of expression displayed on radio, television and in the press, let alone in meetings which often attract tens of thousands of people, is unsurpassed in the Middle East.

But Algerians were soon to discover that the path of economic reform and political *freedom can be demanding*, as President Chadli Bendjedid has realised since he began his bold economic reforms.

He has made abundantly clear his conviction that freedom to speak, publish and form political parties must accompany the radical changes in the management of the economy which the Government is seeking to implement.

Arab Economic Restructuring

The Prime Minister speaks of a market-based economy, an expression which would have been viewed as total heresy only 15 months ago.

Three challenges confront the authorities. The first is to absorb the "informal" economy – or that clandestine industrialisation which is not accounted for in official figures.

It is estimated to be worth one-third of gross domestic product. This would provide a fairer picture of the real structure of GDP; in particular, it would show that commercial activities and processing industries are far more developed than official statistics suggest.

Many of these activities are financed by dinars bought on the black market, often from the more than 1m Algerians living in Europe, at one-fifth their official value. The dinar has been devalued in stages since 1986 but Mr Abderrahmane Hadj Nacer, the recently-appointed governor of a powerful central bank, argues that a brutal devaluation is not the answer.

The second challenge, which the 1990 finance law makes a bold attempt to meet, is to reduce the monetary overhang (last year the ratio of M1 to GDP stood at 80 per cent) and rein in credit to the economy.

The budget deficit was cut by 20bn dinars (£1.5bn) to 6bn dinars in 1989. Until now, medium- and long-term credit was determined by the planning process and the provision of funds from the treasury, which were freely given. Channels through which such funds flowed, such as the Banque Algérienne de Developpement, are being brought under tight control.

A major overhaul of the tax system is also under way. To help dampen speculation, taxes will be levelled on commercial premises and houses which are unused, while taxation on housing will be progressive and no longer apply at a flat rate.

It is acknowledged in Algiers that the number of tax inspectors will have to increase and that their decisions will have to be backed up by much tougher penalties.

Reforming the five-year-old *Statut Général du Travailleur*, which imposes a rigid pattern on wages, will be no less painful. The National Assembly last week passed a labour law which imposes strict rules of arbitration for industrial disputes.

The Minister of Finance, Mr Ghazi Hidouci, holds some trump cards, however.

The first is that Algeria has always been scrupulous in honouring its foreign debt commitments.

Mr Hadj Nacer has just embarked on a large-scale effort to improve the foreign debt profile, the average maturity of which has declined from 7.3 years in 1985 to just under three last year. The less than three-year debt thus amounts to $7bn (of which $1.6bn is 12-month trade finance) out of a total of $24.5bn.

Most Algerian companies will stop asking their foreign suppliers to arrange external financing for goods purchased, a procedure which has contributed to inflating the price of goods and the cost of financing their purchase by an estimated 7-8 per cent.

Efforts are also under way to minimise exchange risks for Algerian borrowers. The depreciation of the US dollar inflated by 35 per cent that part of the foreign debt denominated in European currencies and the Yen, while its foreign exchange earnings are denominated in dollars. Approval for all new borrowing will have to be made by the newly-established Committee of Foreign Borrowings, chaired by Mr Hadj Nacer.

Strong support at the IMF and World Bank for the reforms being enacted in Algiers suggests that World Bank loans could double to $600m in the 12 months to July 1 1990. The Bank is working with Algeria on more projects and broader sectorial reforms.

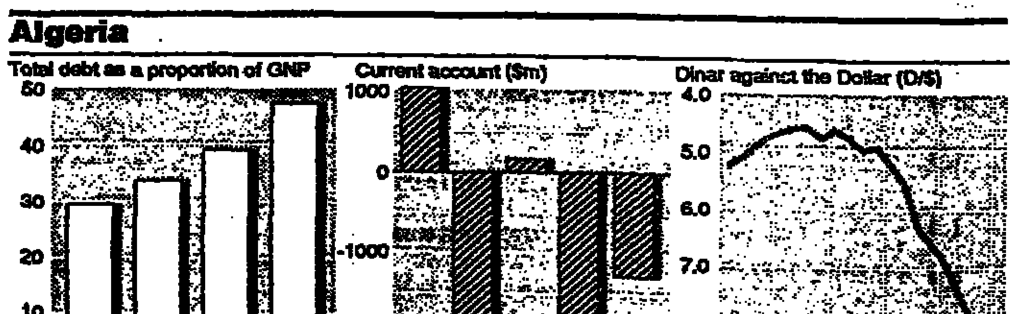
Algerian exports increased by more than one quarter last year to reach $10bn and the outlook for exports of natural gas, of which Algeria holds large reserves, is buoyant. A more liberal exploration policy is meanwhile attracting investment from international oil companies.

But foreign observers are eagerly awaiting the reaction of Algerian deputies to the joint venture bill which is expected in the spring. Yet despite the lack of a legal framework, there are already talks on a joint venture to build a Liquified Natural Gas plant with Shell, the Dutch oil group, and a $1bn aluminium smelter with the Dubai-based Industrial Development Corporation.

The Saudi Al-Baraka group – whose Tunisian offshoot, Best Bank, has already extended $400m worth of credits and leasing facilities to Algeria – will announce a joint venture bank. Fiat and Peugeot have also agreed to set up joint companies. Sofitel and Hilton will manage hotels in Algiers.

If Algeria can successfully negotiate a political and economic U-turn and forget the dour socialist rhetoric of yesteryear in favour of a more pragmatic approach, the Algerian private sector will be encouraged to invest and create jobs. Foreign companies will bring much-needed foreign exchange, help transfer technology, thus encouraging further reforms.

Algeria



Source : World Bank, Central Bank of Algeria

Algerian agriculture, Page 38

This is the last article in a series on economic restructuring in the Arab world. An introduction appeared on January 17 and case studies of Morocco, Jordan, Egypt and Tunisia appeared on January 19, 23, 25 and 30.

AMERICAN NEWS

Main indicator shows US set to avoid recession

By Peter Riddell, US Editor, in Washington

THE US economy should be able to avoid a recession, according to the administration's main indicator of future levels of activity.

This matches the cautious optimism expressed by both Mr Alan Greenspan, chairman of the Federal Reserve, and by senior members of the administration, that the current slowdown should be only a temporary pause before growth is resumed.

In testimony to the House Budget Committee yesterday, Mr Michael Boskin, chairman of the President's Council of Economic Advisers, said he expected monetary policy would accommodate continued economic growth this year – a tactful way of saying that the administration hopes the Fed will not be too restrictive.

The Commerce Department's index of leading indicators rose by 0.8 per cent in December, well above preliminary market expectations.

Six of the 11 components of the index were positive in December, including manufacturers' unfilled orders, contracts for plant and equipment, stock prices, the real money supply, building permits and consumer expectations.

By contrast, four of the 11 components were negative, including material prices, weekly claims for state unemployment insurance, new orders for consumer goods and vendor performance, while the average working week was unchanged.

However, the index of coincident indicators, pointing to current activity, rose by only 0.4 per cent in December, confirming the picture of a slackening since the late summer.

The administration's confidence in its budget on Monday that continued growth can be combined with falling interest rates has been questioned in a staff report for the Senate budget committee. "While a further weakening of the economy could provide impetus for renewed Federal Reserve lowering of interest rates, this slow growth would be at odds with the administration's optimistic real GNP projections. The combination of rapid economic growth and falling interest rates (as predicted in the budget) is simply unattainable."

Mexico rebuffs criticism of controversial debt deal

Stephen Fidler examines details of the first accord to reach fruition under the Brady initiative

THE MEXICAN Government has swung into action to counter criticisms of its new debt accord with commercial banks.

Mexico started tough negotiations on the agreement with its leading bankers last April and signing of the accord will begin on Sunday in Mexico City. It will be the first to reach fruition under the controversial Brady initiative launched in March last year. The initiative changed the emphasis of international debt strategy away from new lending by banks and towards a reduction of the debt and debt service burden of indebted countries, financed in part by official resources.

The criticisms which have particularly stung the Government – many of whose members, including President Carlos Salinas de Gortari, are in Europe this week – are twofold. The first was that the deal required a US government subsidy before it could be completed, which they have been swift to counter.

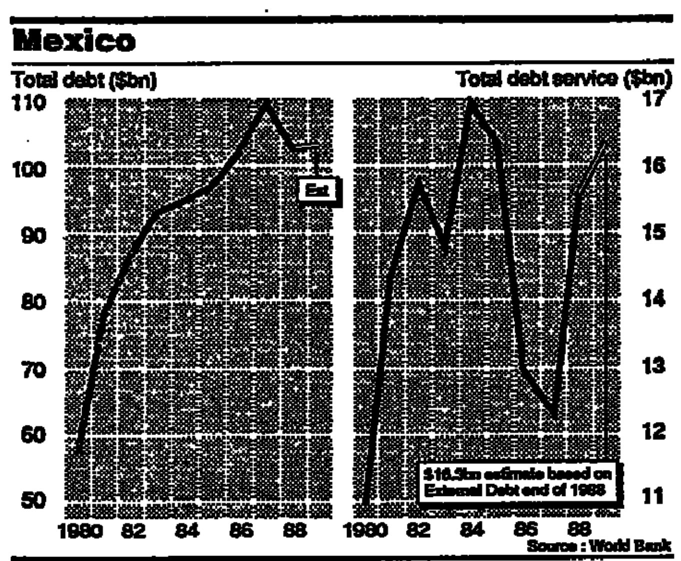
The second concerned the view that, given the hullabaloo and the effort, it only yielded modest benefits to Mexico.

Sir Jeremy Morse, chairman of Lloyds Bank, and Sir Kit McMahon, chairman of Midland, estimated before a House of Commons select committee last week that the package would "save the country less than $1bn in external interest payments each year" – 10 per cent of its foreign interest bill. Mr Matt Barrett, the new chairman of Bank of Montreal, said yesterday the Mexican deal was "far too rich", suggesting that Mexico had negotiated a very beneficial deal.

UK bankers could justify their calculations in the following way, assuming current interest rates of 9 per cent on Mexico's bank debt. The deal covers $48.5bn of medium- and long-term debt (compared with total foreign debt estimated at end-1989 by the World Bank at $102.7bn).

Forty-nine per cent of banks chose the interest reduction option, taking bonds which pay a fixed 6¼ per cent interest rate and saving about $700m a year. Forty-one per cent chose the principal reduction option, cutting the face value of $20bn worth of loans by 35 per cent. This saves about $625m annually. The total saving on bank debt is thus just over $1.3bn annually.

In addition, Mexico is borrowing $5.8bn from the World Bank, Japanese Ex-Im Bank and International Monetary Fund to contribute to the $7bn in credit enhancements for the Mexican bonds – the 30-year zeroes and an 18-month interest guarantee. These will be held in trust and, assuming no default, the resources and investment income from them are Mexico's – thus its gross debt rises by $5.8bn but its net debt does not.



About $3.3bn is being used to pay for the US zeroes, which yield no current income and are thus a burden to Mexico. The cost of the borrowing to finance this purchase is an annual sum of about $300m. With this and with 10 per cent of banks making new loans, equivalent to about $1.2bn, the savings in interest is reduced to less than $1bn.

Mr Pedro Aspe, the Mexican Finance Minister, in an interview with the FT, argued that this is too narrow an interpretation, which underestimates the benefits to the country. This is why he believes it is a big deal for Mexico:

Principal repayments: Mexico will never have to make another principal repayment on 90 per cent of its medium- and long-term bank debt, since it will be paid off by the 30-year zeroes. This is worth about $2.2bn a year for the first few years, he says.

The debt burden: When Mr Salinas took office at end-1988, Mexico's debt burden was $100bn, already down from $107.7bn a year earlier.

Some $7bn of the bank debt will have been written down, the economic effects of the interest reduction option is a diminution of debt by a further $8bn. Ignore the new loans to finance the enhancements, because they are matched by assets. Other factors will knock a further $5bn off the end-1988 number. Result – an effective $80bn foreign debt.

Net transfers: Transfers of resources to creditors will have been reduced by the deal from 6 per cent of national income to 2 per cent for the period of the agreement, he says. Two percentage points of the reduction are accomplished through a reduction in transfers to multilateral lenders, such as the IMF, a further one point from the debt write-downs, and one more point from not having to repay principal.

The deal's critics argue that reschedulings of principal have never been a problem and that those savings could have been achieved with conventional reschedulings, while a less complicated or controversial deal could have yielded just as large a reduction in net transfers. The headline figure for Mexico's debt will change only modestly because the $5.8bn will not be ignored, and the nominal debt for the banks taking the interest reduction option stays the same.

But Mr Aspe strongly defends the structure of the deal, arguing that a simpler buy-back of debt for cash, as used in a deal for the Philippines, would not have achieved the same results. Furthermore, he says the confidence which the deal has helped to build in Mexico has already yielded concrete results.

Mr Aspe also says he has sacrificed some headline benefits to win important concessions from banks. Banks have not been permitted to "onlend" their funds into the private sector – which has in the past been the basis of so-called "bicycling" of funds out of the country.

Since the July agreement in principle, the interest rate of Mexico's internal government debt has fallen by 15 percentage points – worth $10bn a year or 4.5 per cent of national income.

Big deal or not, there is one thing on which Mr Aspe, his bankers and the deal's critics are in accord: it alone will not be sufficient to pull the country through. That depends, not only on the oil price – whose rise over the last year has favoured the Mexican economy – but also on the Government's ability to continue economic reform without triggering social dislocation.

BCCI bankers deny drug money laundering charges

By Tom Brennan in Tampa, Florida

FIVE international bankers accused of being part of a $32m money laundering scheme yesterday denied any complicity in the three-year conspiracy.

The five officers of the Bank of Credit and Commerce International, registered in Luxembourg running its operations from London, are on trial in Florida, charged with conspiring to launder the proceeds of cocaine sales.

The US Government has agreed to drop drug-trafficking conspiracy and laundering charges against the BCCI parent bank in return for guilty pleas to drug laundering charges from two of its subsidiaries and the forfeit of $14.8m of bank assets, equivalent to the amount laundered through BCCI branches.

Lawyers acting for the bank officers said yesterday their clients were honest businessmen duped by over-zealous US Customs service undercover agents. The bankers claimed they were ignorant of US money laundering laws, and that BCCI had failed to train them sufficiently.

The bankers said they only became involved with the undercover agents after US banks had vouched that they were legitimate businessmen. They only performed routine financial transactions and never knew the money came from the sale of cocaine in six US cities.

Prosecutors had said on Tuesday the bankers knew the funds were drug cash and chose to look the other way in hopes of advancing their careers.

King urges caution over US defence reductions

By Lionel Barber in Washington

MR TOM KING, UK Defence Secretary, yesterday expressed concern about the growing demands in Congress for cuts in US defence spending.

He said any changes in defence spending should be made consistent with allied military strategy, "in a sensible and orderly manner," and cautioned against cutting military spending simply to reduce the US budget deficit.

The minister was speaking in Washington, after meetings with senior US defence officials and Congressional leaders, a few hours before President George Bush's State of the Union speech to Congress last night. Mr Bush was expected to make new proposals in that for lesser US and Soviet forces than the levels being negotiated at conventional arms talks (CFE) in Vienna.

Mrs Margaret Thatcher, UK Prime Minister, was told of the US proposal before the speech.

Mr King declined comment, saying only that the US and UK had "a common view" on CFE, and affirming the need for an early agreement between Nato and the Warsaw Pact.

Despite the public expression of solidarity, there are indications of nervousness on the British side about Congressional demands for defence cuts and on whether or not Mr Bush is prepared to resist.

His new CFE proposal is intended to build bridges with Senator Sam Nunn, one of the most influential Democrats in Congress. The senator argues that the collapse of communism in eastern Europe has diminished the Warsaw Pact threat, and so the US can go beyond the current CFE proposal, of 275,000 troops for either side in Europe, to a level between 200,000 and 250,000.

Mr King said the UK welcomed developments in eastern Europe, but cautioned that change was not irreversible.

Parliament, page 10

New record for Brazil inflation

By Ivo Dawnay in Rio de Janeiro

BRAZIL'S monthly inflation rose to a record 56.1 per cent in January, though the rate of price rises was well below initial expectations.

Many economists had predicted that the 53.55 per cent December rate would leap to well over 60 per cent in the December 15 to January 15 period. But strenuous efforts by Mr Mailson da Nobrega, Finance Minister, to talk down price rises in meetings with senior business figures appear to have taken effect.

This week, Mr da Nobrega has again used his remarkable persuasive powers to prevent retailers reducing the instalment payment periods on goods, which would have accelerated inflation.

Another factor which has contributed to containing Brazil's prodigious inflation rate (1,765 per cent last year) is widespread anticipation of tough fiscal measures when the government of President-elect Fernando Collor de Mello takes office on March 15.

He has promised to reduce monthly inflation to 10 per cent by June.

Jamaica devalues by 7%

By Canute James in Kingston

JAMAICA has devalued its dollar by 7 per cent to meet the conditions attached by the International Monetary Fund to SDR82m (£65m) in stand-by credits from the fund over the next 15 months.

Mr Seymour Mullings, Jamaican Finance Minister, told parliament that the new exchange rate will be J$7 to the US dollar. Jamaica's dollar has been devalued by 21.5 per cent since June last.

The government will be maintaining policies to reduce consumption and reduce the island's current account deficit, which the minister said was now 8 per cent of GDP. The aim is to reduce this to 3.5 per cent, he added.

Officials said interest rates will be increased and ceilings on credit tightened so as to contain demand.

The island will have a US$190m foreign exchange shortfall on the current account in the next 15 months, Mr Mullings said. This will be partly offset by debt/equity conversion proceeds, private flows and rescheduling of parts of the US$4.5bn foreign debt.

WORLD TRADE NEWS

Moscow threatens joint venture clampdown

By Quentin Peel in Moscow

GROWING Soviet disenchantment with joint ventures with Western investors could lead to stricter rules soon, according to a recent report.

Soviet specialists are studying fixing a minimum for the hard cash a Western partner must put into a joint venture, to be legally registered, according to the well-informed newspaper Ekonomika i Zhizn.

The minimum is likely to be fixed at the hard currency equivalent of Rs100,000 (£100,000), with a minimum paid-up capital of Rs200,000 for any new venture from both partners. The Soviet Ministry of Finance is already demanding information on the legal status and solvency of foreign partners.

The moves are part of a drive to restrict the formation of "token" joint ventures, either established simply as a vehicle for ordinary Western export contracts, or as a shell for "foreign companies enjoying a dubious reputation," the newspaper says.

They come at a time when the Soviet authorities are increasingly unhappy about the slow start-up of registered ventures. By January 1, some 1,274 joint operations had been registered with the Ministry of Finance, some 90 per cent with Western involvement. But only 184 were operating in any way at all, and perhaps fewer than half of those were already in serious business.

The other official concern is at the small number involved in direct manufacturing, as opposed to consultancy or trading. Almost one third were registered in "trade, tourism and light industry," 30 per cent in consultancy, research and development. Only 5 per cent were involved in engineering manufacturing, and 4.4 per cent in agriculture and food-processing.

Those figures tally with Western expectations, for any form of manufacturing venture in the USSR is fraught with problems of material supply, whereas consultancy work does not face these difficulties. However they appear to have disappointed the Soviet authorities, who have set great store by the development of joint ventures, as a means to attract foreign investment, and begin the process of reintegrating the Soviet Union in the world economy.

Criticism of joint ventures includes concern at long delays in contributing investment funds for the paid up capital: according to a random survey of 30 ventures, 26 per cent had underpaid their statutory contributions, the report said.

It also accused joint ventures of covert repatriation of profits through overpricing of imports and underpricing of exports, overcharging of licence payments, and excessive interest rates on loans from foreign partner.

Ekonomika i Zhizn says the average size of investments in individual joint ventures has fallen from Rs6.7m in 1987 to Rs3m in 1989, and 60 per cent of all ventures have paid-up capital of less than Rs1m.

"Wary of economic and political risks, most foreign investors avoid big investments ... and try to make sure that they pay off with speculative revenues within a short period," it says.

On joint ventures aimed at promoting exports statistics show that in the first nine months of 1989, their expenditure exceeded export incomes by Rs187.2m, and the share of exports in their output reached only 11.6 per cent.

> GILLETTE, the US razor manufacturer, has agreed to set up a joint venture to manufacture 800m razors a year in Leningrad, the Tass news agency reported yesterday.
>
> Mr Aanatoly Turchak, director of the Soviet partner Leninets, said the US side would deliver production lines, machine tools, equipment and testing units.
>
> "Gillette is entering the Soviet market and given the shortage of such products it should not have any problems with marketing them," Mr Turchak said.

US urged to lift curbs on Soviet commercial visits

By Nancy Dunne in Washington

MR Charles Vanik, the former congressman who co-wrote the major US restrictions on US-Soviet trade, yesterday urged the lifting of US limits on the number of Soviet nationals permitted to have a commercial presence in the US.

In testimony before a House committee, Mr Vanik said additional Soviet commercial presence in the US should be permitted for an extended period for individual "well-qualified, responsible people" to facilitate trade and joint ventures.

Since the invasion of Afghanistan the US has imposed a ceiling of 69 on the number of Soviet commercial visitors to the US.

Other witnesses appearing before the House Ways and Means Committee urged Congressional and Administration actions boosting US-Soviet trade ties to support Soviet President Mikhail Gorbachev. Several Democrats expressed frustration that the Bush Administration has moved slowly to lower trade barriers with the Soviet Union and Eastern bloc countries.

Mr John Murphy, president of Dresser Industries, represented the US Chamber of Commerce in urging Congress to develop a long-term trade policy to take advantage of economic and political reform in Eastern Europe.

"It is time for the US to move beyond passivity and become aggressive on the trade front as have its Western European and Asian competitors," he said.

Mr Vanik, who co-wrote the Jackson-Vanik Amendment, which keeps high tariffs on Soviet exports to the US, has been urging a waiver to the amendment since last year. He said about 20 per cent of the Congress and 20 per cent of the American public were "opposed to any relationship with the Soviet Union on the unrealistic basis that the evil empires never change."

"Special defined portions of America's defence industry base are economically disturbed and frightened by the retreat of the cold war," he said. "There is no doubt that because of glasnost, the defence industries job base is exposed to readjustment."

Car catalyst makers look to $1bn a year EC market

By John Griffiths

STRICTER EC controls on exhaust emissions after 1992 are expected to create a western European market for vehicle catalysts of at least 20m units a year, worth £1bn a year in sales for producers of the catalyst core alone.

The predicted five-fold increase in production lies behind the decision by Johnson Matthey of the UK, the world's largest autocatalyst producer, to build a new plant at Evere, near Brussels, which will increase its European capacity from 1m to 6m units a year, with provision for further expansion to 10m units by the late 1990s.

The £15m Evere plant is being opened today by Mr Carlo Ripa di Meana, the EC Environment Commissioner. There was industry speculation last night that Mr di Meana would use the occasion to set out Brussels' latest thinking on car pollution.

In particular, he is likely to say when stricter exhaust standards for medium-sized cars – between 1.4 litres and 2 litres – will be approved.

The Commission published a draft directive in December requiring all new medium-sized cars to meet, by the start of 1993, standards similar to those agreed for small and large cars.

For all three sizes, the standards are sufficiently strict to force vehicle manufacturers to fit catalysts – even though "cats" are not mentioned in the legislation and, theoretically at least, other options such as "lean burn" engines can still be explored.

JM's forecast of a 20m-unit-a-year market is based on many cars needing more than one catalyst core in their catalytic converter. Last year western Europe produced 13m cars.

Hitherto, JM has been supplying European car makers from a plant at Royston, Hertfordshire, in the UK.

It expects to share the European market for catalyst cores mainly with De Gussa of West Germany and Engelhard, the US industrial group. Currently the "big three" have about 30 per cent each, with smaller producers making up the balance.

However, Allied Signal of the US is also building a plant, in eastern France.

All four primarily manufacture the catalyst core – a porous ceramic with very thin coatings of platinum, rhodium and palladium – which converts polluting oxides of nitrogen, carbon monoxide and hydrocarbons into nitrogen, water and carbon dioxide. An average car covering 16,000kms emits about half a ton of pollutants.

The "cat" cores are passed on to what are known colloquially as "canners", usually subsidiaries of car makers such as General Motors and Volkswagen, for enclosing within exhaust systems.

JM's Belgian plant will add significantly to its global capacity. The company produced 18m catalysts last year, to claim a world market share of around 40 per cent.

Decline in W European diesel car sales halted

By Kevin Done, Motor Industry Correspondent

SALES of diesel cars in western Europe rose by 1.9 per cent to 1.88m last year ending two years of falling demand caused chiefly by environmental concerns in West Germany.

Diesel cars accounted for 14.1 per cent of the new car market in 1989 compared with 14.2 per cent a year earlier according to preliminary estimates by Automotive Industry Data (AID), of the UK.

The pattern of demand for diesel cars across West Europe still differs greatly from country to country, however, with record sales last year in France, Belgium, Spain and the UK, contrasting sharply with steep falls in West Germany and Italy.

Sales of diesel cars in Europe, the world's most important diesel market, are influenced strongly by varying taxation regimes and by conflicting national views on their environmental desirability.

Diesel cars are more fuel-efficient than petrol cars, and make a correspondingly lower contribution to the so-called "greenhouse effect" with lower emissions of carbon dioxide. But at the same time they emit particulates (soot), which have been at the centre of debate in West Germany as being potentially carcinogenic.

Demand for diesel cars in West Germany, previously the biggest European diesel car market, slumped by 23.1 per cent last year to a five-year low at 294,157 cars compared with 382,497 in 1988 and a 1986 peak of 775,637.

Sales began to recover in the last few months, amid signs that West German car makers led by Mercedes-Benz and Volkswagen are turning the tide of the environmental debate.

According to AID, West German Government hand-outs for the new generation of so-called "clean diesels" are to be reinstated from July this year, while "clean diesel engine" cars are also expected to be given clearance for unrestricted use at times of smog alerts putting them on an equal footing for the first time with petrol cars equipped with the most sophisticated catalytic converters.

Sales of diesel cars in Italy also fell last year by 23.4 per cent to a five-year low of 310,000 from 404,815 in 1988 and a peak of 486,881 in 1987 following tax changes introduced in January 1988, which put a disproportionately larger burden on diesel cars.

By contrast sales of diesel cars in France, now the largest single market in West Europe, have more than doubled in the last three years, with an estimated 29.2 per cent rise to a record 675,000. Diesels captured 29.7 per cent of French new car sales last year.

In the UK diesel car sales jumped by 22 per cent to 123,345.

Automotive Industry Data, City House, 2-4 Dam Street, Lichfield, Staffs, WS13 6AA.

Chile surrenders to US threat on pharmaceutical patents

By Barbara Durr in Santiago

THE THREAT of imminent commercial sanctions by the US of nearly $100m led Chile on Tuesday to pass a controversial law on pharmaceutical patents.

The law, fiercely opposed by laboratories and Chile's national consumer organisation, will recognise pharmaceutical patents for 15 years and is retroactive to the beginning of 1985.

During the last few weeks the US embassy has pressed the Chilean authorities to approve the new legislation. The US Pharmaceutical Manufacturers Association (PMA) had been preparing a petition to the US Trade Representative for sanctions against Chile, which were expected to be put into effect immediately if a law was not passed. The original petition was made two years ago, but had been withdrawn following a promise by Chile to pass legislation.

The government had been dragging its feet because Chilean laboratories, which now freely copy drugs, and consumer advocates argued that it would substantially increase the price of medicines, and they had campaigned against the legislation.

The local drug makers, grouped into the Industrial Association of Chilean Pharmaceutical Laboratories (ASILFA), had denounced the law as an attack on public health and national sovereignty. But following the legislative session, Chilean foreign minister Mr Hernan Felipe Errazuriz bluntly said that if national laboratories wanted to remain in the market, they "have to play by the rules of the market."

Chile's pharmaceutical market is worth $150m a year. According to ASILFA, national companies have 90 per cent of the hospitals market and 60 per cent of that for pharmacies.

International pharmaceutical companies with subsidiaries in Chile were pleased with their victory. Mr Jose Manuel Cousino, general manager of SmithKline Beckman's Chilean subsidiary, said: "I'm very happy." Mr Cousino rejected ASILFA's claim that prices would rise dramatically. He said only 15 of the 4,000 pharmaceutical products on the market would be affected by the law. Patents on the rest had run out.

According to industry sources, the PMA had in part targeted Chile because Chilean companies were exporting copied drugs to Central America, further undermining US drug companies markets. Mexico is the only other Latin American country that is acting – also under pressure from the US – on pharmaceutical patents. The Mexican government recently promised legislation on drug patents as part of a wider intellectual property rights proposal.

The US has pushed hard in the Third World for recognition of intellectual property rights on pharmaceuticals because American drug companies are faced with rising research and development costs on ever more complicated drugs. They argue the need for earnings to cover those costs through exclusiveness, and thus higher prices, on their new products.

The new law, the Law of Industrial Property which revamps 1931 legislation on patents, also provides safeguards against abuses by international pharmaceutical companies.

IT'S AMAZING HOW MANY EXTRAS YOU CAN GET WITH A CAR PHONE THESE DAYS.

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UK NEWS

Brussels decides Sky TV sport breaks EC rules

By Raymond Snoddy

EUROPEAN Community officials have decided that Mr Rupert Murdoch's Eurosport satellite television service, a joint venture with members of the European Broadcasting Union including the BBC, is in breach of EC competition rules.

It is now likely that Eurosport, one of the four satellite channels launched by Sky Television last February, will lose exclusive access to important sporting events, and have to bid for television rights on the open market. This could significantly increase the cost of the channel, the only Sky channel aimed at all of Western Europe rather than the UK and Ireland.

Eurosport is a joint venture between 15 of Europe's public service broadcasters and Mr Murdoch. The broadcasters make available exclusive satellite television rights to Eurosport, initially free of charge. Mr Murdoch has funded the setting up and development of the channel and when the business goes into profit the EBU broadcasters and Sky split the profits 50-50.

WHSTV, the television subsidiary of W.H. Smith the retail and information group which runs Screensport, the satellite television rival to Eurosport lodged formal complaints against Sky under EC competition rules. It complained that it had been unable to buy rights to broadcast sporting events while EBU members were supplying Mr Murdoch exclusively.

In December 1988, the Commission filed a formal statement of objection against Eurosport on the grounds that it would restrict and distort competition in the Community. Officials in both the EC's competition directorate and legal affairs section have now endorsed that statement.

The decision still has to go to Sir Leon Britten, the commissioner responsible for competition. But the EC is committed to creating a more open market for television services in Europe, so his endorsement seems likely. A formal announcement could come next month.

If the EC does take formal action against the Eurosport joint venture agreement, Mr Murdoch will have the choice of finding new exclusive sporting deals or accepting that rivals should also be able to win access to sports coverage from the national broadcasters who make up the EBU.

Japanese executive to join Glaxo board

By Peter Marsh

GLAXO, Britain's biggest drugs company, yesterday appointed a Japanese businessman as a main-board executive director in what is believed to be the first move of this kind by a large UK industrial group.

The appointment reflects the growing importance of the Far East for many large western companies, particularly in the fields of pharmaceuticals and chemicals.

It also shows the growing pace of internationalisation at Glaxo, which is the world's fourth biggest drugs company and gained just 12 per cent of its £2.5bn sales last year from the UK. Of Glaxo's nine executive directors, only three were born in Britain.

The new Glaxo director is Mr Hiroshi Konishi, 47, who is already head of Nippon Glaxo, the UK company's joint-venture operation in Japan.

Mr Kinoshi is a member of the family which owns half of Nippon Glaxo, with the UK company owning the rest. He has been associated with Glaxo's operations in Japan since 1968 and has had executive positions in Nippon Glaxo for 14 years.

Mr Kinoshi is an economics graduate from Keio University and has a US masters degree in business economics from Michigan State University.

Glaxo is particularly keen to build up business in Japan, the world's second biggest market for medicines after the US. Last year the company derived only about 6 per cent of its £2.5bn sales from Japan.

It is building a new research centre near Tokyo and plans a large increase in sales staff.

A number of other large Western chemicals and drugs groups, including Ciba-Geigy of Switzerland, West Germany's Bayer and Dow Chemical of the US, are targeting Japan and other Far East countries for expansion in the 1990s.

Glaxo said yesterday there was no special reason for appointing a Japanese person in an executive position to its board. "People are selected because of their qualities, not because of their nationalities. As Glaxo becomes a more international company, it is inevitable the board will contain a mix of nationalities."

The company's executive directors include two people born in Italy in the shape of Sir Paul Girolami, the chairman, and Dr Mario Fertonani. There is also one Austrian-born Swiss, Dr Franz Humer.

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Lloyds customers face fee for Access card

By David Barchard

HOLDERS OF Lloyds Bank Access credit cards face an annual fee of £12 if they use their cards after today. Lloyds Bank, one of the main clearing banks, yesterday denied press reports that it was extending the deadline for applying the annual charge, the first to be made by a large UK bank on a mass credit card.

The charge is believed to have cost Lloyds around 375,000 of its 3m credit card customers. The bank said yesterday 80 per cent of the customers who were cutting up their Access cards and returning them to the bank were ones who had their main account with another bank and used their Access card alongside another card.

"Many of them are the sort of credit card customers we call free riders, people who pay off their accounts in full each month," a Lloyds spokesman said. "They actually cost us between £20 and £50 a year in funding turnover on their Access cards for an average of 40 days."

In the United States, the introduction of credit card charges led to falls of around 15 per cent in the numbers of customers holding a particular card.

Lloyds says it believes the number of its customers discarding Access cards is within this range.

Mr Ian Lindsey, credit card director of Save & Prosper, small financial services group which offers cheap rate Visa and MasterCard services, said yesterday he was receiving around 400 applications a day from Lloyds Bank Access card.

"In many cases the applicants are professionals with above average incomes and a relationship with Lloyds stretching back 15 to 25 years." Mr Lindsey said. "The main question is whether we can now cross-sell them other financial services."

Chief ambulance officers may act as peacemakers

By Fiona Thompson, Labour Staff

CHIEF ambulance officers were last night debating whether they should abandon their traditional role of neutrality and attempt to act as peacemakers in the long running ambulance dispute over pay.

The association representing the UK's 48 chief ambulance officers began talks in Harrogate last night after deciding last week to call a special conference because of the chiefs' growing concern about the effects of the dispute.

"We have never involved ourselves in a dispute before," said Mr Jim Mason, president of the association. "But this one is worrying us very much."

He said the chief officers had been working "very long and very hard" to keep services functioning throughout the 20 weeks.

They were extremely anxious that the dispute should be sorted out.

But he said it did not automatically follow that the association would decide to put itself forward as a mediator in a bid to bridge the gap between the ambulance unions and the Department of Health.

The association will announce its conclusions this afternoon.

IN BRIEF

Investigation ordered by Thatcher on 'dirty tricks'

MRS MARGARET Thatcher has ordered an inquiry into why documents about "dirty tricks" campaigns by Northern Ireland security forces in the early 1970s have only been recently been brought to her notice.

The Prime Minister is said to be angry at the failure of civil servants to reveal information which has led to her giving inaccurate statements to the House of Commons.

Mrs Thatcher, acting on information from civil servants, in 1987 rejected claims by Mr Colin Wallace, a former army press officer in Northern Ireland, of a disinformation campaign against the IRA and leading political figures.

The Government appears embarrassed at having to admit to activities which took place under a previous administration. Ministers are not allowed access to files from previous governments and have to rely on civil servants' briefings.

Ford walk out

MORE THAN 100 skilled workers walked out of Ford Motor Company's Dagenham plant yesterday as unofficial action over the company's pay deal spread from Halewood for the first time.

Although production continued at Dagenham, it is likely that output will be affected today unless the strikers return. The walkout meant that there were no maintenance staff working in the plant's engine facility.

N-submarine check

Eight of the Royal Navy's oldest submarines, including three Polaris-armed boats, were yesterday in port undergoing checks after the discovery of a crack in a nuclear reactor system.

The hairline crack was uncovered two weeks ago in the primary cooling system of the Valiant class sub HMS Warspite during a routine refit at Devonport dockyard.

Sunday paper sales

The Independent on Sunday sold 760,000 of its launch issue last Sunday only around 60 per cent of the number of copies produced at nine print centres.

"We were apparently unable to get our distribution spot on," said Mr Stephen Glover, the new Sunday's editor.

Welsh property drive

The Welsh Development Agency launched a drive to attract more private investment into the north Wales property market. Dr Gwyn Jones, the WDA chairman, said sites and development briefs had been put together in Wrexham, Deeside, Ruthin, Bangor and Sandycroft in Clwyd.

Food plant shuts

Campbell Foods is to close its Sittingbourne plant, which employs 262 people and produces frozen convenience foods, in April. It says the plant, which it acquired two years ago in the takeover of Freshbake Foods, cannot be expanded to meet the company's needs because it is sited in a residential area.

Privatisation delay

Scotland's two electricity boards are becoming resigned to the prospect that they will not, as hoped, be the first electricity companies to be privatised this autumn.

They believe the failure of the Scottish Office to announce a decision on an early privatisation date means they will have to be floated after the English companies.

Rail freight order

Welsh-based Powell Duffryn Standard has won a £3.5m order from British Rail for 45 lowliner wagons, a new low platform wagon designed to carry 9ft 6in containers along the British Railway system.

The 9ft 6in container, common on the continent, could not have run in Britain after the opening of the Channel Tunnel because of the smaller size of tunnels in the UK.

Burton shares ruling

The Inland Revenue was wrong to refuse to approve amendments to performance-related employee share option schemes operated by the Burton Group, a High Court judge Mr Justice Vinelott ruled yesterday.

The amendments are designed to allow Burton to set key tasks – the fulfilment of which determine the number of shares each employee is entitled to – year by year rather than at the beginning of the three-year option period.

Rank job losses

Six hundred jobs are to go at a Rank Xerox factory, it was announced yesterday.

The factory is in Welwyn Garden City, Herts and results from a decision to switch production of printed circuits for copiers, fax machines and other electronic goods to Gloucestershire.

Sporting challenge: contractors race to complete stadium facilities in Sheffield despite rising costs and political disquiet

Student Games in obstacle race

Ian Hamilton-Fazey reports on lessons learnt at Sheffield's expense

LESS THAN 18 months before the World Student Games are due to start in Sheffield, the most important race is already under way – that is to ensure that the Games take place.

Universiade GB, the company running the games, is £2.5m in debt with the bulk of the £27m operating costs still yet to be raised.

Sheffield spent £850,000 to win the right to stage the games. It beat Edinburgh to make the British bid and then found no competition from abroad. The Federation Internationale du Sport Universitaire (FISU) awarded the games to Sheffield after visiting the city in 1987 to assess local commitment.

A charitable trust, Sheffield Leisure and Recreation, was set up by the city council, together with two subsidiary companies, each limited by guarantee with the council as the first guarantor. One company, Sheffield for Health, would build and develop the facilities – and operate them afterwards – while the other, Universiade GB, would run the games and at least break even.

The plan was for Sheffield for Health to borrow on the open market for the stadium, swimming pool, arena and anything else needed. The money was to be repaid by the city over 25 years. Universiade GB would live mostly off sponsorship, which was dependent on selling television rights. An overdraft financed Universiade's early growth.

Trouble surfaced publicly in December when the board of Universiade GB sacked Mr Peter Burns, its chief executive, and revealed it had little money left to pay the 50 staff. Two weeks ago, Mr Danny Simpson, the finance director, resigned for personal reasons.

In an attempt to bolster confidence Mr Norman Adsetts, who chairs Sheffield Insulations, a quoted company, and the Yorkshire and Humberside regional council of the CBI, has been made deputy chairman and acting chief executive.

The private sector came on the board only a year ago after a change in the law made it impossible for the council to run the company alone.

The chairman remains Councillor Peter Price, deputy leader of the city council, but the task of saving the games seems now to lie with Mr Adsetts and Mr Alan Tolhurst, a former RAF group captain with experience of large-scale logistical exercises, whom he has promoted to general manager from operations director.

An audit and review by two firms of accountants – Peat Marwick McLintock and Pannell Kerr Foster – this week revealed the scale of the task. Universiade GB spent £3.9m in the 27 months to the end of last year, against revenue from sponsors of only £700,000. Apart from the cost of the bid, £1m has gone on marketing, £750,000 on salaries, £200,000 on interest charges and the rest on general running costs.

Unforeseen costs have emerged. It had been hoped to save the cost of building a competitors' village by using Sheffield's empty Hyde Park estate, a series of linked blocks of high-rise council flats, but the Government has refused to refurbish one block it considers irredeemable for re-use.

The other big item arises because Universiade GB has failed to persuade either the BBC or ITV networks to act as host television broadcaster. Sky Television is interested in carrying pictures to the 40m viewers of its Eurosport channel, but there are too few satellite dishes in Britain to impress potential sponsors.

This means that Universiade GB will have to reserve £2m to hire an independent contractor for television coverage and then try to sell pictures to networks around the world.

Meanwhile, building costs have overshot to £140m from the £111m still being quoted by the games' organisers only last August.

Can the games survive? Of Universiade GB's debts, £1.5m is a loan from Sheffield for Health. The company is up against its overdraft limit but it does now have monthly payments from the Sports Council as part of an annual grant of $1m pound. It is also stretching its creditors further and selling sponsorship packages to local companies.

Meadowhall, a local property developer, will probably pay for the £1m opening and closing ceremonies and has made £250,000 available immediately.

Recruitment has been frozen. Future staffing needs will be met from secondment. Mr Adsetts hopes that many companies will see it as a unique training opportunity for thrusting managers.

However, As a training exercise for cities and nations bidding for large games which do not have the appeal of, say, the Olympics, the lesson is already obvious. Commitment, underwritten funding, good management and harmonious relations are essential from the outset.

Big business sponsorship sustains the Universiade

THE Universiade, or World Student Games first held in Warsaw in 1924 where it was dominated by eastern European countries, has become a capitalist fixture, writes Emma Tucker.

The games would not survive without large injections of capital from business sponsors hoping for exposure with some of the world's most promising young athletes.

At last year's games, hosted by Duisberg at short notice after Rio de Janeiro withdrew, two-thirds of the funding was provided by federal and regional government.

The rest was raised with the help of regional business sponsorship and through television coverage which enabled the sale of advertising contracts.

As a host city, Sheffield is unusual in having to provide most of the sports facilities from scratch. Other host cities, such as Duisberg in West Germany, Zagreb in Yugoslavia, Kobe in Japan, and Edmonton in Canada, either already had amenities or were planning to build them anyway.

Mr Till Lufft, secretary general of the Allgemeine Deutsche Hochschulsportverbandt, the national student sports body, is convinced the games brought long-term benefits.

"The games attracted business and gave recognition to the city and the region," he said.

In Kobe, Japan, plans for a new stadium and other amenities were already under way when the city offered to host the games in 1985.

Half of the funding was provided by the city authorities; about a third was raised from charitable foundations and industry; and the rest came from the sale of television rights, advertising, sponsorship and ticket sales.

Edmonton in Canada, which hosted the games in 1983, already had most amenities in place after it staged the Commonwealth Games in 1978.

Funding came from all three levels of government, municipal, provincial and federal. The rest was raised through corporate sponsorship.

Lloyd's to consider scrapping brokers' fee

By Patrick Cockburn

Lord: abolishing charge would be "a piece of history".

LLOYD'S of London, the insurance market, is considering the abolition from the beginning of 1991 of the £5m a year subscription paid by the 8,000 brokers who bring business to Lloyd's.

Mr Alan Lord, chief executive of Lloyd's, yesterday described as premature reports of a final decision on abolishing the subscription. He said this would be taken after the end of talks with the Lloyd's Insurance Brokers Committee of the British Insurance Brokers Association.

Nevertheless, the end to the subscription is widely expected as one of a series of measures by Lloyd's to encourage brokers to bring more business into the market. A major broker such as the Sedgwick Group brings some 14-15 per cent of its business to Lloyd's, according to Mr David Rowland, its chairman.

Measures taken in recent months include the abolition of market divisions into marine, non-marine, aviation and motor - making it easier for brokers to place complex policies in composite syndicates from 1991 and speeding up the process of settling claims.

Lloyd's underwriters have expressed resentment at the moves, saying they are likely to increase expenses at a time when they are being squeezed by low premiums and high losses in their traditional markets.

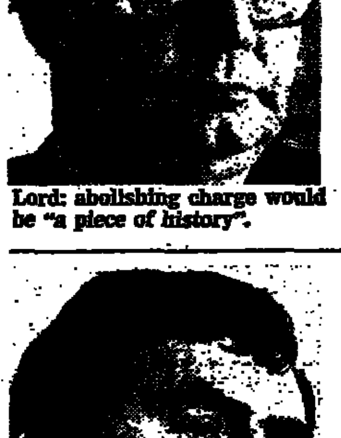
Although he denied that a final decision on the subscription paid by brokers had been taken, Mr Lord described it as "a piece of history."

Mr David Larner, a spokesman for Lloyd's, said: "It is pretty illogical to charge brokers for bringing business to us."

Lloyd's has also come under increased pressure from other parts of the underwriting market, including the Institute of London Underwriters and commercial companies with expertise and expenses competitive with Lloyd's managing agents and syndicates.

Labour sees industry's low growth potential

By Ralph Atkins



Brown: study shows neglect

A LEAKED REPORT prepared for the European Commission shows that parts of Britain are near the bottom rank among European regions in their technology, training and growth potential, the Labour Party claimed yesterday.

British regions were shown in the report to be in danger of being "marginalised" in the run-up to the creation of a single European market in 1992, Labour said. Government investment was shown to be inadequate.

Mr Gordon Brown, Labour's trade and industry spokesman, said: "The study is a line-by-line indictment of government neglect and inactivity in the run-up to 1992 in contrast with competitors in Germany, France and Belgium."

He said it showed "technological backwardness" and low growth potential among British industry. Training was also out of touch with technical developments and sometimes a generation out of date.

The Department of Trade and Industry said that it had only recently received the report and would comment when it was officially published.

The study, compiled by the University of Louvain, Belgium, compares traditional industrial regions in Britain, Belgium, France, West Germany and Spain. In Britain it focuses on South Yorkshire and Strathclyde.

The authors are most pessimistic about the Basque region of northern Spain which the report says "is considerably blighted by a long list of handicaps." But it says that the expected impact of the single European market on South Yorkshire and Strathclyde is also "generally negative."

It notes low added value and below-average profitability among South Yorkshire's companies. The region was prone to increased competition from regions where labour and raw material costs were lower.

The report highlights links between universities and industry as being "particularly weak," making the region "not very attractive for innovatory activities." Qualifications of the workforce and technical training programmes were "inadequate."

Difficulties in financing new technology and equipment in training institutes were also emphasised. In some industries "the equipment available in schools is often a generation behind that used in workshops."

The report is gloomy about Strathclyde because of structural changes worldwide in the textile and shipbuilding industries and the likely vulnerability of its steel industry in an open European market.

MPs set off a 'Nimby' alert over tube objectors

Alison Smith on the consternation over the plans to extend London's Jubilee line

FROM dumps for nuclear waste to new housing in picturesque villages, MPs on both sides of the Commons are familiar with the "Not In My Back Yard" syndrome. Now the "back yard" in question is Parliament Square, and a prolonged "Nimby" campaign is getting under way at Westminster.

Accusing someone of being a "Nimby" is a classic political response for belittling anyone who tries to stop a particular site being used for any disagreeable purpose. What has brought it so close to home for MPs is a plan by London Underground to extend the Jubilee line. This includes an interchange between the new Jubilee line and the existing District and Circle line at Westminster Station, just by Parliament itself.

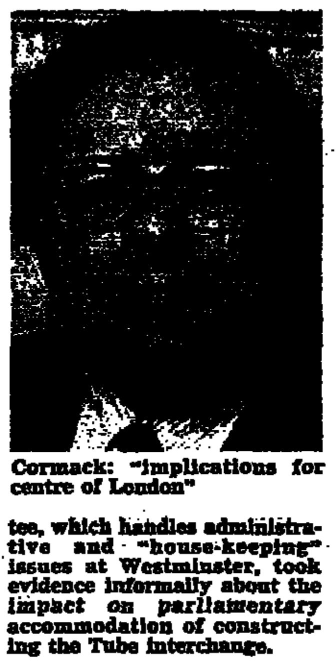
London Underground knows there is unhappiness at Westminster about its proposals. It estimates that it will take two years to achieve parliamentary approval of the private bill needed to authorise the works. Even that time-scale may be optimistic.

The powers in the bill would permit London Underground to demolish buildings which currently contain offices for both MPs and their staff. MPs also suspect, in spite of assurances to the contrary from London Underground, that the works would delay the new parliamentary building which is planned to provide additional offices for at least 60 MPs and 100 of their secretaries and research assistants.

London Underground's bill is due to come to the house for a second reading today. If – as seems inevitable – even one MP objects to it then, it has to wait until a time is found to debate it before it can proceed at all.

But London Underground also faces a more immediate challenge to its proposals from MPs.

The committee of MPs dealing with the issue, a sub-committee of the Services Committee, which handles administrative and "house-keeping" issues at Westminster, took evidence informally about the impact on parliamentary accommodation of constructing the Tube interchange.



Cormack: "Implications for centre of London"

The Government must provide greater investment in public transport if road congestion is ever to improve, says the Institution of Civil Engineers.

At a one-day seminar arranged by the Institution nearly all the speakers said public transport in cities had to be made more attractive before road tolls could be introduced.

Government projections that there will be 30 per cent more vehicles on the roads in London by the end of the century underlines the urgent need to find ways to control congestion. ICE said: "The current policy of the Department of Transport is incompatible with tackling congestion."

Now MPs have hired their own independent advice, and are looking at other options for the interchange. They will take further evidence from London Underground and others, with the aim of presenting a report to the Commons before Easter.

The expert advice is understood to say that on strictly engineering grounds there is no reason why the interchange should not be at St James's Park, underneath London Underground's own headquarters, rather than at Westminster.

Mr Patrick Cormack, one of the Tory committee members, stressed that their concern went beyond the impact of the scheme on MPs.

"It is not a question merely of Parliament's convenience," he said.

"We're extremely disturbed about the implications for the centre of London."

London Underground may doubt that the concern for the centre of London would be so vigorously expressed if the effects were less direct for Westminster. But it will need to be careful in its tactics. Accusations of "Nimbyism" could well be two-way traffic.

MANAGEMENT: Marketing and Advertising

Battle of the burgers all set to sizzle

David Churchill warns that changing consumer habits may undermine UK campaigns by the fast food purveyors

While McDonald's, the US hamburger chain, was yesterday basking in the worldwide publicity surrounding its opening in Moscow of the first fast-food restaurant in the Soviet Union, the UK arm of Burger King – its main international rival – was quietly pressing ahead with preparations for a marketing and advertising blitz which should turn 1990 into a sizzling battle of the burgers.

Senior marketing executives from Burger King were in the US yesterday overseeing production of the first shot in the imminent burger wars: a television commercial to be shown in the UK, probably starting in the Spring, as part of a promotional spend aimed at replacing the Big Mac with Burger King's Whopper as Britain's favourite fast food.

Although Burger King is reluctant to spell out its strategy, it is likely to have at least to match the £13.5m being spent by McDonald's on advertising in the UK if it wants to mount an effective challenge. It has added Saatchi and Saatchi to its existing agency, D'Arcy Masius Benton and Bowles, to help mastermind the planned campaign.

But McDonald's does not plan to give Burger King a free ride in the UK. Already it has started its defence with a £4m promotion based on the Trivial Pursuit quiz game which is currently giving customers the chance of cash prizes or free food at any of its 338 UK stores.

This is McDonald's most ambitious store promotion since it first opened in the UK in 1974: "But it has been on the cards for some time and is not a direct response to Burger King's challenge," insists a McDonald's spokeswoman.

The parameters of the up-coming burger battle were spelt out this week by a market report showing that a quarter of the adult UK population – about 11m – buy fast food (either to take away or as part of a fast restaurant service) every week, with half of all 16 to 24 year-olds using a fast food outlet weekly.

"It is one of the most important and fastest growing of all leisure markets," points out Glyn Jones from Gordon Simmons Research, which published the report based on a sample survey of 2,000 adults. "Moreover, there is no sign that fast food sales are being hit by the current downturn in consumer spending; in fact, they may benefit as people who want to eat out trade down from mid-priced restaurants to fast food outlets."

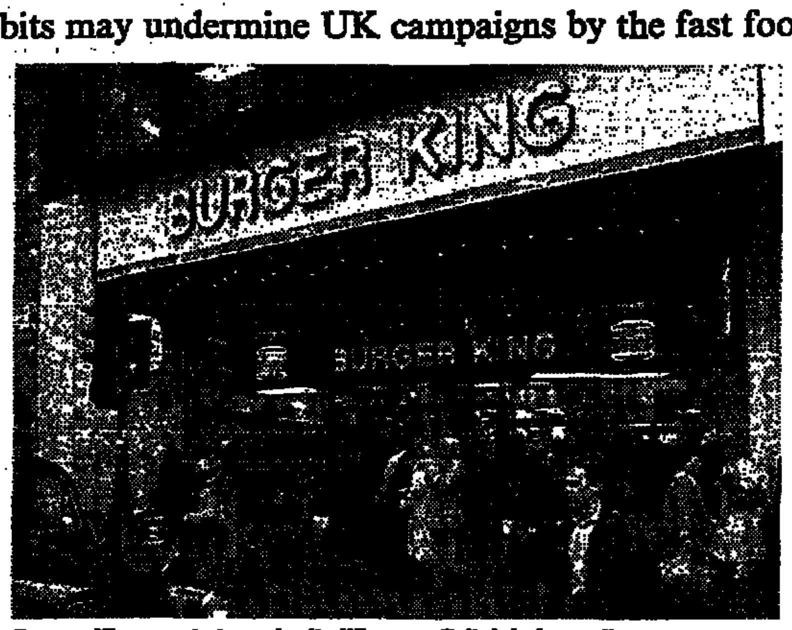
The market for fast foods is estimated at more than £3bn a year, about a quarter of all expenditure on eating outside the home last year. Traditional fish and chips was, surprisingly, still the biggest sector until last year when burgers – with sales of more than £650m a year – overtook this staple part of the British diet. However, since the market is fragmented, statistics tend to be estimates.

But what is clear from the past decade is that, in spite of the growth in popularity of burgers and fries, the market in the UK has been a difficult one for the major operators. While the bulk of McDonald's 11,000 or so stores worldwide (in over 50 countries) are franchised operations, in the UK only 14 are franchised out of its total of 338.

This approach has been justified by the problems faced by Wimpy and Kentucky Fried Chicken in the UK; in the past the operating standards of some of their franchisees have tended to harm the brand image. United Biscuits, which acquired the Wimpy operation in the late 1970s, was eventually forced to buy back many of its franchises in an effort to raise standards.

Last summer, however, UB pulled out of the fast food game and sold its Wimpy operations to the Grand Metropolitan brewing and leisure group for £180m. Ironically, GrandMet had itself pulled out of fast food in 1984 (although remaining in restaurants with operations such as Berni Inns) when it sold its Huckleberry's chain to Wimpy and closed its Hungry Fisherman operation.

But a year ago GrandMet moved back into fast food in a big way when its $5.8bn acquisition of Pillsbury, the US food group, brought with it ownership of Burger King – with 5,000 outlets worldwide the second largest fast food company in the world.



Burger King wants to make its Whopper Britain's favourite

GrandMet put new management into the Miami headquarters of Burger King in a bid to revive morale and improve operating standards. But in the UK, where it had only a token presence with 30 stores, it needed expansion fast; Wimpy provided not only the ideal but also the only opportunity for fast expansion.

With 380 UK stores, Wimpy was the only other established burger chain in the UK (Burger King itself was third largest with its 30 stores). Moreover, as Gordon Simmons' research shows, it drew some 15m adults to its outlets last year, second only to the 21m at McDonald's.

In spite of Wimpy's strong brand franchise, GrandMet's strategy is to promote Burger King as the alternative to McDonald's. Thus by Christmas it had already converted 30 Wimpy outlets to Burger King operations and plans to switch a further 200 by the end of this year.

Outlets being converted, however, are only the counter-service Wimpys; the 220 table-service outlets are being retained as Wimpys.

Market analysts believe that Burger King's strategy, once the store conversion rate has established its national presence, will probably be a combination of in-store promotions (similar to those in McDonald's at present) combined with lower prices.

In the US, for example, McDonald's prices have been undercut by other burger chains. This has led to McDonald's *facing* sluggish sales per outlet, although this is masked by an aggressive store opening policy which has raised corporate turnover.

McDonald's has been reluctant to compete on price in the US for fear of harming its brand image and creating a "commodity" market for burgers; Burger King, with little UK presence so far, may feel more inclined to take this route.

Burger King can also take some comfort from the Gordon Simmons research which shows that value for money and reasonable prices were the top two consumer factors when choosing a fast food outlet. Moreover, McDonald's was rated ninth by the adults surveyed on the question of which chains best met people's expectations. The Beefeater and Berni steakhouses were rated top.

But whichever company wins the looming burger battle may only *achieve a Pyrrhic victory*. Experience in the US suggests that pizzas are gaining ground rapidly on burgers in consumer popularity, especially with teenagers – so much so that McDonald's has been forced to try selling pizzas in a few stores as an experiment.

In the UK, a recent study by market researchers Marketing Strategies for Industry shows that pizza sales are running at a rate twice that for burgers. The Gordon Simmons research also shows the popularity of pizzas: "Pizza Hut in particular has proved very popular with consumers," points out Jones.

Yet the biggest challenge to McDonald's and other fast food chains may come not from what *type* of fast-food is eaten by consumers but *where* they eat it. The spread of microwave ovens in the US and UK has led to the growth of the "eating out at home" concept – the microwaving of food products that are almost exact imitations of fast food meals available from traditional outlets.

"The industry must be concerned that fast food will follow alcoholic drink in becoming an increasingly domestic product," points out the Henley Centre for Forecasting in its latest study on leisure markets. "A few well publicised health scares, for example, could certainly set this trend in motion."

Where global ambitions come unstuck

Alice Rawsthorn explains how western agencies are renewing their efforts to penetrate the Japanese advertising industry

There is probably nothing, but nothing, which is more irritating to most ambitious US and European advertising agencies than their singular lack of success in Japan, the world's second largest advertising market.

It is not merely a question of size: Japan is also one of the most buoyant advertising markets.

This has never been more so than at present, when Japanese agencies are experiencing rapid growth at a time when the US and the UK, the other two main international markets, are in the doldrums.

Yet the western agencies, which have expanded so aggressively in almost every other corner of the globe, are peripheral players in Japanese advertising.

Now, after years of attempting to make a mark, American and European agencies are trying anew. Foote Cone & Belding of the US is in discussion with a number of Japanese agencies together with its partner, Publicis of France.

Ogilvy & Mather, one of the WPP Group's international networks, is also looking at ways of moving into the Japanese market.

Eurocom of France is keen to extend into Japan the EWDB network which it recently assembled with WCRS of the UK.

Traditionally the western agencies have tended to enter the Japanese market by setting up joint ventures in association with established Tokyo and Osaka agencies. But some of the new investors in Japanese advertising are adopting a more ambitious approach.

At first sight a joint venture does seem the most sensible vehicle.

This is not only because of the obvious difficulties of making takeovers in Japan, nor because opening a new Japanese agency – as J Walter Thompson, now part of WPP, did in the 1950s – has proved far from easy.

More fundamental is that the Japanese advertising system is so very idiosyncratic compared with that of the US or Europe. One important difference is the visual imagery of Japanese advertising, which is often quite mystifying to the Western eye.

There is also no concept of client conflict, whereby agencies are not allowed to work for more than one company in a particular field. Moreover the Tokyo and Osaka agencies tend to act as general marketing consultants, rather than as specialists in advertising.

As a result most western agencies have opted for the easier route of the joint venture. Grey, the privately owned US agency, joined forces with Daiko. McCann-Erickson and Lintas, which are owned by Interpublic, the large US marketing group, are involved with Hakuhodo. DDB:Needham, part of Omnicom of the US, has formed a joint venture with Dai-Ichi Kikaku.

Top Ten International advertising markets in 1988

1. United States	$75.8bn
2. Japan	$28.0bn
3. United Kingdom	$12.1bn
4. West Germany	$9.5bn
5. France	$6.9bn
6. Italy	$5.1bn
7. Canada	$5.1bn
8. Spain	$4.6bn
9. Australia	$3.1bn
10. Netherlands	$2.6bn

Source: BSB Worldwide

But the joint venture route has met with mixed success. Many ventures have been bedevilled by the all too familiar problems of poor control and ill-defined identities.

Ogilvy & Mather, for instance, has been involved with two joint ventures: first with Tokyu Agency in the mid-1980s and more recently with I & S Corporation. Both enterprises failed.

The McCann-Erickson link-up with Hakuhodo is the only western joint venture to be represented in the Japanese top ten. Most of its clients, like those of the other joint ventures, are western companies operating in Japan.

One explanation for the poor performance of the western agencies lies in the structure of the Japanese media buying system and the extraordinary influence of the two largest agencies – Dentsu and Hakuhodo – over the media.

Dentsu accounts for almost a quarter and Hakuhodo for a tenth of all the money spent on advertising in Japan. Dentsu alone accounts for a fifth of all newspaper and a third of all television advertising.

The sheer scale of their power gives Dentsu and Hakuhodo an obvious advantage over other agencies which are occasionally forced to buy television time from them.

If the dominance of Dentsu and Hakuhodo is a major obstacle to the development of other Japanese agencies, it poses a more pressing problem for the western newcomers, given that they also have to overcome the structural weakness of operating through joint ventures.

As a result some of the western agencies presently planning to invest in Japan are considering alternative approaches. FCB and Publicis, which formed a partnership in the US and Europe two years ago, plan to join forces with a Japanese partner, possibly not through a joint venture.

A year ago they discussed ways of approaching the Japanese market with Sumitomo Corporation, with which FCB works in the US.

They are now in talks – albeit at a preliminary stage – with a number of Japanese agencies. Similarly, O&M is determined to return to Japan. After two unsuccessful joint ventures in succession, it may adopt a new approach.

There are not too many choices. Most western agencies accept that it would be almost impossible for a western company to acquire a Japanese agency outright. Even if the latter's employees did not object, its clients probably would.

Another option would be to strike a cross-shareholding agreement, as BBDO, one of the Omnicom agencies, did with Asatsu in the mid-1980s; or to join forces with a Japanese bank or trading company to form a holding company, which could then acquire a Japanese agency.

Whether these schemes will come to fruition remains to be seen. Yet western involvement in Japanese advertising is almost certain to increase in the 1990s, given that Japan seems set to occupy an increasingly important role in the international advertising arena.

"No agency can really claim to be international without a significant presence in Japan," says the head of one large marketing services group. "And the time has come when a tiny joint venture with a few western accounts is just not enough."

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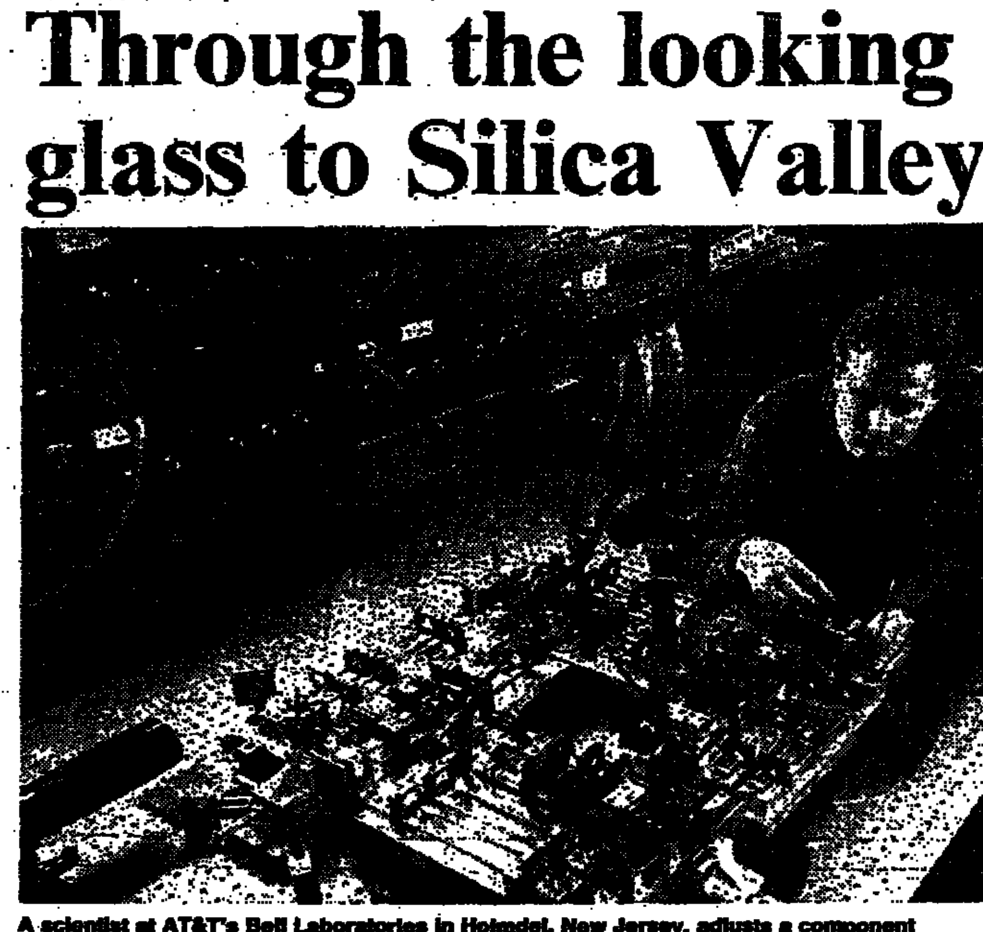
Business

TECHNOLOGY

Louise Kehoe explains why AT&T is so excited about progress towards building a computer that uses light rather than electronics

Through the looking glass to Silica Valley



A scientist at AT&T's Bell Laboratories in Holmdel, New Jersey, adjusts a component in what is claimed to be the world's first digital optical processor. It makes use of light (photons), as opposed to electrons, to process information

Researchers at AT&T's Bell Laboratories would like to rename Silicon Valley "Silica Valley" – after the main ingredient of glass. They reckon this would reflect the importance of the latest milestone on the road towards replacing silicon chips with glass lenses, mirrors and "photonic" devices, which process light beams instead of electrons.

What AT&T unveiled this week as "the world's first digital optical processor" performs computational calculations using laser beams and lenses, rather than the much slower electrical signals and electronic chips.

The system is experimental, relatively primitive and only as powerful as the chips in a washing machine, but it works. And that shows, say the researchers, that by the year 2000 it may be possible to build an optical supercomputer between 1,000 and 10,000 times as powerful as today's fastest electronic computers.

The achievement "is analogous to the flight of the Wright Brothers' first aeroplane," says William Ninke, director of the information systems research laboratory at AT&T Bell Labs. That first flight "didn't go very fast, or very far, and it only carried one passenger, but it was based on solid engineering."

Similarly, the first digital optical processer is less powerful than the average personal computer, but it demonstrates a new technology with enormous potential, he explains.

"Five years ago, when we started this work, people thought we were loony," says Alan Huang, head of the optical computing research department where the processor was built.

He believes that his demonstration of optical computing will spur renewed efforts world-wide to pursue the potential of "photonics", as this emerging field of technology is known – after the stream of photons in a ray of light.

Most other researchers in the US, Japan and Europe have attempted to develop "hybrid" technology that combines electronic and optical components and promises more immediate results. AT&T is alone, Huang says, in taking on the challenge of trying to build a fully optical processor.

"We have broken the psychological barrier. We have demonstrated that it can be done," says Huang. "Now we will find out whether America has the stamina to win the race for commercialisation." The leading challengers will be Japanese: NTT, NEC and Fujitsu. "They have been watching our research – noting every excruciating detail."

Huang is not alone in worrying that American companies may not make the most of optical technology research achievements. A 1988 report by the National Research Council warned that the US was running the risk of losing out to Japan in the commercialisation of photonics and called for a national programme bringing together researchers from universities, government and industry to spur commercial development of the technologies. Like several recent calls for government support of US high technology research, this one went unheeded.

"Researchers are an endangered species in America," says Huang. "In Japan there is excitement and curiosity about science. Here we have to keep in mind short-term results and the bottom line."

None the less, Huang credits AT&T with providing strong support for his work. "I have more resources than I can use."

AT&T is keen to promote more research in photonics. "We could go it alone, but it would take longer," Huang explains. "We have removed a lot of the risk by demonstrating that it is possible to perform digital optical processing."

Key elements of the AT&T digital optical processor include: 10-milliwatt laser diodes emitting light in the near infra-red region; lenses and mirrors which direct the optical signals; and a device called a Symmetric Self-Electro-Optic Effect Device (S-SEED) built using semiconductor chip technology which can switch optical signals on and off to create the ones and zeroes of computer data, at a rate of 1bn operations per second.

The S-SEED arrays used in the optical processor system each contain 32 elements or logic gates. The chips are made out of layers of gallium arsenide and aluminium gallium arsenide using advanced semiconductor processing techniques.

Each of the 32 gates comprises two mirrors with controllable reflectivity. The mirrors act as switches, reflecting or not reflecting the light signal. In the optical processor, light signals are repeatedly directed through four S-SEED arrays to perform complex calculations.

A big advantage of the optical processing system is that it can process multiple, parallel signals. Thus the first optical process model can handle 32 signals concurrently. Already, however, AT&T has built much larger S-SEED arrays with more than 2,000 gates which might eventually be used to scale up the performance of the optical processor.

Optical technology shows great promise in overcoming the "electronic computing bottleneck," says Huang, referring to the problem of feeding signals on and off electronic chips. He likens the hindrance to that of traffic entering and leaving New York's Manhattan island. Although there are a number of bridges, traffic jams frequently occur.

Despite the fact that electronic chips continue to become faster, denser and more sophisticated, their performance in computer systems is limited by the speed at which data can be fed from one chip to the next.

The latest electronic chips have dozens of pins – or metal leads – through which signals are fed in and out. A significant portion of the chip surface area is taken up by the circuits driving these input and output channels.

Optical components, in contrast, need no such leads. Laser beams can be split into arrays of thousands of light signals, which can travel through a lens to an optical device accepting multiple inputs at the same time. The effect is analogous to letting Manhattan drivers fly on to or off the island, rather than restricting them to the bridges.

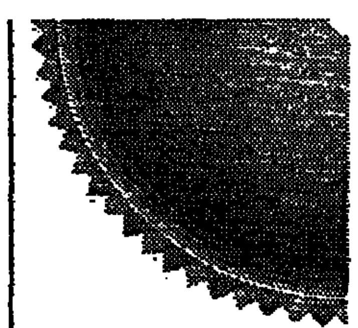
This makes optical components especially attractive in the field of parallel computing, in which several signals are processed simultaneously.

The first commercial spin-offs from this experimental work should come soon, exploiting the inherent advantage of optics – that light beams travel faster than electrical signals. Optical links could replace the wiring currently used to link circuit boards in computers within five years, say the AT&T researchers.

Then, perhaps in 10 years' time, it should be possible to create optical links between individual electronic chips. It will be about 15 years, they reckon, before a fully operational photonic computer becomes a commercial product.

Significant research remains to be done, but possible future applications include speech and vision recognition.

"The first uses of the digital optical processor will probably involve problems requiring parallel processing," Huang says. "However, we've been able to show that most computing problems can be handled by an optical processor."



WORTH WATCHING

Edited by Della Bradshaw

Spring-board for a faster PC

HOW DO you boost the processing speed of your IBM personal computer so that it can run applications traditionally reserved for mid-range systems, such as financial analysis or high-powered graphics?

Japanese securities house Yamaichi, of Tokyo, with Olivetti Japan and Global Advanced Technology Corporation, of New York, has come up with one answer: a 13-inch printed circuit board to fit into your machine.

The Micro Super boosts the calculating ability of a PC by up to 800 times, through the use of a Risc (reduced instruction set computing) processor, designed by US chip-maker Intel. This speeds up processing by reducing the number of instructions needed for the machine to carry out the most frequently performed functions.

The board will be sold in Japan, the US and Europe. The price in Japan is Y880,000 (£3,700).

Short cut to parking spaces

DRIVING round a car park looking for the one vacant slot is frustrating and time-consuming. To solve the problem, a Swiss company has developed an electronic system that guides drivers to the nearest free bay.

The Signal-Park, from Schick Electronics, of Renens, recognises parked cars by using ultra-sonic detectors mounted above each bay. The time is measured between the emission of a sonic signal and the return of its echo.

If the bay is occupied a red light is illuminated; if not, a green one.

The detectors are linked to a control centre, which calculates the number and location of the spaces. The information is then relayed to signs at the entrance and at strategic junctions. By following the green lights on these signs, the driver arrives at the first vacant slot.

The system is sold in the UK by Macmilian, of Leatherhead.

New line in remote meters

DIGITAL technology is finding its way into all sorts of industrial tools – control and measurement equipment, for example.

Rosemount, the control equipment manufacturer from Minnesota, has developed a digital pressure and flow meter which uses the latest application-specific chips (Asics). The shrinking size of electronic components means that the meter can be attached remotely to, say, an oil pipeline and then connected to headquarters by telephone line.

The monitoring equipment uses specially devised mathematical formulae to pinpoint the reason for a drop in pressure: an exploration company would want to know whether it meant reduced oil flow.

Desk-top scan of paper mountain

THE HANDLING of the reams of paperwork produced by large corporations – from cheques to expenses forms – promises to be streamlined by a document reading system which can scan the information and then feed it into a computer network.

Such optical character recognition (OCR) systems have been used for many years by banks, for example, for reading cheques. But recent size and cost reductions in electronics have enabled manufacturers to introduce desk-top machines for office use.

The Easyreader 1720 has been jointly developed by Toshiba, of Tokyo, and Scan-Optics, of Hartford, Connecticut, and sells for £50,000.

A scanner – similar to a photocopier – memorises the characters or shapes and the Easyreader processor converts them into computer code (Ascii) for processing.

The system can scan 3,000 characters a minute and feed them into a computer system – compared with about 12,000 characters an hour when re-keyed by hand.

As well as typed or printed characters, Easyreader can interpret numbers and hand-written capital letters. With writing it cannot recognise, such as a signature, the system memorises the shape and stores it on the hard disk memory. It can then compare signatures to verify them on time sheets or cheques.

Quick break to recharge tools

CORDLESS power tools are designed to give operating freedom, writes Lynton McLain.

That is all very well until the power runs down. Then, workers have to "down tools" for up to an hour for recharging using transformer-based devices.

To solve the problem Panasonic, of Tokyo, has developed a unit which can recharge the batteries of cordless tools during a 15-minute coffee break.

The unit accepts 7.2 volt, 9.6 volt and 12 volt batteries. An emergency charge facility enables the unit to power batteries to 20 per cent of capacity in three minutes.

Cockroach repellant

WHAT makes a cockroach scratch? The answer, according to researchers at Cornel University in the US, is a natural insect repellant to be found in the leaves of a rare mint plant.

The plant, which is only found on a stretch of sand dunes in Florida, contains microscopic capsules of a substance called trans-pulegol, an irritant to cockroaches and ants. The capsules release the minty-smelling oil when chewed by the insects. The oil could eventually find its way into commercial products.

Meanwhile, the Cornel researchers say that a rub-down with the leaves of the ordinary garden mint plant will not have the same deterrent effect.

CONTACTS: Yamaichi: Japan, 03 276 3181. Schick: Switzerland, 021 635 06 12. Macmilian: UK, 04865 3750. Rosemount: US, 612 941 5560; UK, 0243 863121. Toshiba: Japan, 03 457 2104. Scan-Optics: US, 203 289 6001; UK, 09327 88881. Panasonic: Japan, 03 437 1121. UK, 0344 853551. Cornel University: US, 607 255 4484.

BUSINESS LAW

Insider dealing in Great Britain

By Thomas Conlon

The exploits of Ivan Boesky and Dennis Levine, whose insider dealing operations touched the major markets as well as Panama, the Cayman Islands, Venezuela and Switzerland, are well documented. But much more needs to be done on an international level to address the problem of insider dealing.

The establishment of international standards is a long way off, as is the establishment of an effective international organisation and of procedures to combat the growing problem of insider trading in global markets. In the US, short-term reliance will have to be placed on the enactment of and tightening of domestic laws, as well as forging links of co-operation between the various states.

The origins of the US federal law in this area goes back to the early 1930s with the birth of the Securities and Exchange Commission (SEC). It has been through a mixture of regulation, civil and criminal sanctions, disgorging of profits, plus strict penalties (multi-million dollar penalties in some cases) and driven by the professionalism of SEC, that progress is being made. It is ironic that the sheer magnitude of the "success" of Boesky and Levine has played no small part in raising public awareness of the problem which was quickly channelled into congressional action.

The presence of gun-toting US Marshalls making arrests on the stock exchange floor, the introduction of recent legislation providing for bounty hunters in search of a 10 per cent reward coupled with the prospect of "triple damages" has added, if nothing else, a touch of national colour to the American approach.

In many respects the UK law in this area is the most advanced in Europe, and the UK approach far less colourful than that employed in the US. At first glance it would appear that the UK has mounted a three-pronged attack on insider dealing through statutory law, court decisions and self regulation, but a closer inspection shows this not to be the case.

The contribution of the non-statutory self-regulatory codes, though now being overtaken by statute, should not be discounted. They clearly filled the void which existed prior to the introduction of the insider dealing legislation of the 1980s.

Today insider dealing in Great Britain is primarily regulated by the Company Securities (Insider Dealing) Act 1985. As legislation goes, it is surprisingly short, consisting of 19 sections set out over 12 pages. It is, however, a technical act.

It is worth noting a few things that the 1985 Act does *not* do:

- Make all insider dealing illegal;
- Apply to companies per se as the act is directed at "individuals" (companies can, however, aid and abet);
- Provide for civil remedies for violations of the prohibited activities (arguably its greatest shortcoming);
- Require the illegal insider trader to pay back (disgorge) his illegal gains;
- Make the contract void or voidable (just the opposite);
- Make provision for adequate investigatory powers which are crucial in combating the practice (although this shortcoming has been corrected to a large extent by the Financial Services Act 1986).

As in most countries in Europe at the time, insider trading in the UK was not considered to be a serious problem and it was not until certain transactions came to light in the early 1970s that opinions began to change. It was during this period that the Stock Exchange, as well as the Takeover Panel, reconsidered their respective positions and came out in support of insider trading being made a criminal offence.

Both the Conservative Government in its 1973 Companies Bill and the Labour Government in 1979 proposed a mixture of criminal sanctions and civil remedies for tackling insider trading. Unhappily in both instances the respective governments fell before legislation could be enacted.

Thus, it was not until the enactment of the Companies Act 1980 that insider trading was made a criminal offence in Great Britain. However, by this time the Conservative Government had decided against providing for civil remedies against insider trading. In criminal cases the burden of proof is much higher. The alleged offence must be proved beyond reasonable doubt before a jury. In civil cases it would only be necessary to prove on the balance of probabilities that insider trading had occurred.

It was Part V of the 1980 Act which was, with minor amendment, later re-enacted as the 1985 Act. Broadly stated the 1985 Act prohibits individuals connected with a company from dealing on a recognised stock exchange in the securities of that company while in the possession of unpublished, price-sensitive information. It also prohibits individuals, while in possession of insider information, from procuring or counselling others to deal in the relevant securities. And it prohibits individuals from communicating the confidential information to someone who they have reason to believe might deal in the securities.

It is clear that the framers of the legislation intended its general prohibitions to apply to a broad "class" of individuals and not only those individuals directly connected with the relevant company. In addition to company insiders, the Act applies to secondary insiders, the so-called "tippee", as well as those with knowledge about a contemplated merger or take-over. The class also includes at least one category of company "outsider", namely Crown servants, who have been supplied with, or have acquired, insider knowledge about the company.

Not all transactions done on the basis of, or while in possession of, inside information are illegal. In deciding whether a transaction is illegal and an offence under the act three questions have to be asked:

- Is the individual an "insider" within the scope of the Act?
- Is the information unpublished and price sensitive?
- Did the transaction take place on a stock exchange recognised under the 1985 Act or the Financial Services Act 1986?

A negative answer to any of these questions may result in the transaction being deemed outside the scope of the 1985 Act's prohibitions and not a criminal offence.

An insider under section 1(1) of the 1985 Act is an individual who is or at any time in the preceding six months has been knowingly connected with the company. The term "individual" has been defined to include a director (executive and non-executive), a company officer, including Company Secretary and senior manager, as well as certain employees of the company or a related company.

In addition to corporate insiders, the definition of individual also includes someone who has a professional or business relationship with the company or related company if his relationship was such that it could reasonably be expected to give him access to inside information.

Thus, advisers, such as lawyers, consultants and accountants could, on certain occasions, find themselves in possession of unpublished price-sensitive information about the company or related company. It is at this stage that the 1985 Act's prohibitions come into force and failure to restrict activities accordingly, may result in the adviser and/or his tippee committing a criminal offence.

The secondary insider, or "tippee" is an individual who directly or indirectly obtains information from a person he knows or has reason to believe is an insider. The Act makes it an offence for the tippee to deal in the relevant securities while in possession of unpublished price sensitive information. The tippee is also prohibited from counselling or procuring another to deal in the securities or from communicating the information. It appears more likely than not that the Act's prohibitions also extend to the tippee's tippee and so on.

One of the few cases to arise under the Act was *R v Fisher**, which revolved around the question of whether the defendant had "knowingly obtained" inside information when it had not been sought by him. The court ruled that he had not and Mr Fisher was acquitted. However, the question of whether the words "knowingly obtained" included inside information which was not actively sought by an individual was referred by the Attorney General to the Court of Appeal.

The question was eventually resolved by the House of Lords; their Lordships held that it was an offence under the 1985 Act to deal while in possession of inside information (regardless of the fact that it had not been sought).

**R v Fisher, Attorney General's Reference (No 1 of 1988) [1989] 2 All ER 1.*

The author is Director of Legal Services and Compliance at Henderson Administration Group plc. The second part of this article will appear in the Business Law column next week.

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ARTS

CINEMA

Trumpeting family friction

LET'S GET LOST (15) Metro
FAR NORTH (12) Cannon Oxford Street
LOCK UP (18) Cannons West End
SUR (15) Cannon Premiere

The musical documentary has gone through weird changes since 1980. We have had the rockumentary and the mockumentary (*This Is Spinal Tap*). Now in Bruce Weber's *Let's Get Lost* we have the knockumentary.

The subject, jazz trumpeter and singer Chet Baker, is knocked in this film by almost everyone who knew him, including three ex-wives, his mother, his children and finally even Weber himself. "Chet, it's not pleasant to see you like this" says the off-screen director. And Baker, drugged to the gills on cocaine, heroin and other abusable substances, smiles with slow mystery as if the *Mona Lisa* were alive and well and re-incarnate in a 57-year-old jazz legend.

Never has a man bounced back from so many blows to his character delivered by others or blows to his health delivered by himself. Even Baker could not bounce back indefinitely: he died soon after completing the movie. But the reason, one likes to believe, was less his dope-wrecked physical state than the valedictory perfection of this film. The style of hard knocks has produced a shaped and chiselled masterwork. Bruce Weber's camera, schooled in the seize-the-moment intensity of still photography, turns Baker into a flickering god dazed by his brief encounter with mortality. The bruised lyricism of Baker's music becomes one with the the bruised lyricism of his life.

Filmed in black and white like Weber's first feature documentary *Broken Noses*, *Let's Get Lost* has a free-form vigour all this director's own. Witnesses are quizzed in vivid off-the-wall cameos: like singer-girlfriend Ruth monologuing in a pool of frazzled limelight or pudgy-plain wife Carol badmouthing Ruth ("You'll edit this out, won't you?" she askes Weber) on a lawn in dowdiest Oklahoma.

Baker, though never flattered, is allowed a chameleon range of settings, lit and framed according to mood or scene. One moment his side-lit features are a two-tone mask, intermittently flooded by the light of passing cars. (These are like the floodings of memory itself.) Another moment he is semi-supine (and semi-stoned) on a bed, with camera-angle tilted to match.

Throwing in concert and TV footage and clips of the Italian B-movies which featured a younger, handsomer Baker, Weber makes the film less a trip down a Memory Lane than an assault on the cliff-face of a legend. At its grandest the film has a *Kane*-like variety and visual energy, pickaxing away at an ego sealed inside the rocky numbness of fame. And even in more frivolous mood, the film delights in double-takes and comic grace notes. One witness recalls that Baker was the only anti-social role model available in the early Eisenhower years. "None of *my friends had any Buddy* Holly records" he insists, mournfully, manfully torpedoing all the parvenu pop-culture legends that have grown up since Baker's heyday.

★

Far North is the first film to be written and directed by actor-playwright Sam Shepard and may be the last. Crazy families are a speciality in American fiction; but there is surely a point, as with the family in this film, where art leaves off and psychotherapy should begin.

Somewhere up north, Dad Charles Durning has been thrown by a runaway horse and wants daughter Jessica Lange, visiting him in hospital, to shoot the nag. Do it quickly, Durning urges, otherwise "he won't know what he's getting shot for."

A point: an idiotic point, but a point. Meanwhile Mum Anne Wedgeworth is having hallucinations at home; Lange's sister Tess Harper is screaming at her promiscuous teenage daughter; the horse "Mel" is roaming the woods as a symbol of whatever suits you (probably the Id); and mad Uncle Dane (Donald Moffatt) springs Dad Durning from hospital one day and goes walkabout, fuelled by an apparently bottomless bottle of bourbon.

The movie has no inner logic and no outer conviction. We laugh when we suspect we are not supposed to; we yawn when we know we are not supposed to. The unique, hybridised style that suits Shepard as a playwright – high-octane vernacular in the language, artful ellipses in the structure – translates not at all to the cinema, where audiences need a clear indication early on whether realism or surrealism is the favoured mode. In *Far North* we never know if the characters are there to be whittled down into satirical-symbolic caricatures or to be infused, slowly and painfully, with life. The result is a maddening collision of styles. American pastoralism meets subversive Euro-chic: or the *barnyard movie meets Luis* Bunuel.

Lock Up presents no headache at all for the style analyst. He shakes the movie in its test tube, discovers the tiny figure of Sylvester Stallone waiting to be blown up to beefcake size, and pronounces "Macho movie." Directed by John Flynn, the film is daft and enjoyable in equal measure. Sylvester plays a model prisoner suddenly transferred to a maximum-security jail six months before release. Here he comes up against sadistic warden Donald Sutherland, nursing an old grudge.

I have no idea how you nurse an old grudge. But to judge by Mr Sutherland's performance you hold it to your breast and grimace hideously while it gnaws your vitals. As ripping yarns go, *Lock Up* is rippingly predictable: right up to the moment when hero deposits villain in the electric chair and in that Neanderthal whisper unique to Stallone (Yogi Bear as schooled by Clint Eastwood) reads him the riot act.

He could, even more cruelly, have screened Fernando Solanas's *Sur* for him. This Argentinian folk epic weaves together song, drama, flashbacks and political history in the tale of a young man returning to his wife after a prison spell under the Junta. Performances are fine, but little else is. The music is entrusted to a glorified palm court quartet, who materialise in midnight streets to thump out woozy tunes, and the decor is strictly shoestring-South American: pour in lots of smoke and back-lighting and hope for the best.

★

Two seasons devoted to higher and lower pulp can now be enjoyed at the National Film Theatre. Higher pulp: movies based on the novels of Jim Thompson, who inspired such diversely demonic thrillers as Kubrick's *The Killing*, Peckinpah's *The Getaway* and Tavernier's *Coup De Tourchon*. Lower pulp: the genially insane horror films of Troma Inc. The only movie company ever to have started at the bottom, artistically, and worked its way downwards, Troma specialises in such low-budget delinquencies as *Toxic Avenger*, *Surf Nazis Must Die* and *Rabid Grannies*. Fun for the whole family, excluding granny.

If on leaving the NFT foyer you go through a certain glass door, you will find yourself in the late 19th century. Not having visited the Museum Of The Moving Image since it was a mixed pile of rubble and bright ideas a fortnight before opening, I snuck in last week to monitor progress.

The best section is still the first, devoted to the cinema's prehistory. Here you meet the *toys* and brainwaves that diverted young-at-heart Victorians: zoetropes, mutoscopes, thaumatropes, all playing pioneer games with the persistence of vision.

Elsewhere, showmanship and education slug it out for the visitor's loyalty. Sixteen months after MOMI's inauguration, the second seems to be winning. The walking, talking, fully costumed guides, much fanfared at MOMI's opening, must have disappeared into the woodwork. I saw none on my tour, unless the 1920s'-dressed lady looking rather faint in the animation section was one.

No, I correct myself. A uniformed commissionaire did bravely pursue visitors through the foyer of the mock-up Art Deco cinema, hurling information at them like a man shying balls at a retreating coconut stand.

All this interactive stuff is probably not to Britishers' taste, being a reticent people. And who needs it anyway? The place is full of enchanting inspirations: the glassed-in niche where classic French films flicker over a vista of Paris rooftops; the giant plaster hand crawling with Dali's ants; the *Metropolis* robot looming above an industrial maze; the Special Effects corridor stuffed with dancing skeletons and animated apes. If you ever find yourself lost and alone one day in the concrete nightmare known as the South Bank, head for the warm and welcoming arms of MOMI.

Nigel Andrews

Scene from 'Let's Get Lost:' Chet Baker, in an earlier film

Have

THE PIT

The saga on which Julius Hay's *Have* is based must rank as one of the news stories of the century: a Hungarian backwater in which the women systematically, and over many years, murdered their husbands under guidance from a witchlike midwife. When the wives of Tiszazug were finally placed on trial in 1929, the evidence against them included traces of poison in 165 exhumed corpses.

Hay, a Hungarian Communist who wrote the play in German during one of his many stints in jail, sees in the story a paradigm of the evils of capitalism: sandwiched between the bank, the factory and the landowning aristocracy, the peasant women have nothing but their mysterious power over life to protect them from the brutalities of birth, copulation and death.

Their religion is no help – with a wry Marxist humour Hay represents the opium of the masses via a worldly priest smoking contraband tobacco and a plaster virgin in whose pedestal is stashed the packets of poison meted out to the deserving poor by Estelle Kohler's midwife, a hag who hides a cloud of titian locks beneath her bonnet, whose ministrations crescendo into a Scrooge-like ecstasy of possession as she fingers her peasant gold.

Hay centres his ramblingly structured play on the tragedy of Mari, a have-not pregnant by her ambitious police lover, who seizes her opportunity to better her lot by marrying and murdering a fat old neighbour with 90 acres and a crippled daughter, so locking herself into an ever more vertiginous spiral of deceit, distrust and danger.

The atmosphere conjured from the Pit is redolent enough: poverty oozes from the mud and plank setting of designer Johan Engels, clinging to the bedraggled hems of hatchet-faced matrons who throw themselves into the celebration of yet another wedding with a fatalistic cheer.

Where Janice Honeyman's RSC production runs into problems is in its failure to find a lightness to offset the grey. Tradition is stiffly represented through costume and cake decoration, while the accompanying superstition is intimated through the sneering narratorial singing of the dwarfish Liza Hayden, whose malign presence tacks the play together.

The early scenes present Naomi Wirthner's Mari as a sacrificial lamb, who is joylessly prepared for a joyless marriage feast enlivened only by the foolish bucolic rhapsodies of the twittering schoolmaster's wife.

In a bridal robing that recalls Lorca's *Blood Wedding*, Mari is ritualistically dressed, but one looks in vain for Lorca's ability to express the passions that have created her compliance (the nearest poor Mari gets to passion is a quick clinch up against a cinema wall).

Without these contrasts, her transformation into an exploitative landlady, playing a deadly cat-and-mouse daughter with her bolshy, twisted stepdaughter (a very effective Rebecca Saire), becomes a moral fable, without the heart and the guts to carry the full weight of an extraordinary to-do.

Claire Armitstead

SALEROOM

John Brown's kilt sold

John Brown's kilt and the rest of the Highland Dress of Queen Victoria's favourite servant sold for £10,120 at Sotheby's yesterday to a Scottish Tartans Museum at Comrie, Perthshire. Apart from a few moth-holes at crutch of underpants, the garments were in tip top condition.

Christie's was selling arts and crafts made in the 1980s in an auction yesterday which started with the decorative arts of the 1880s. The morning session totalled £257,670, with 10 per cent unsold, and had a top price of £22,000 paid for a set of four silver spoons and forks designed by Charles Rennie Mackintosh in 1902. Among the recent items a float glass and forged iron console table by Danny Lane was on target at £6,050; a "Rolling Volume" sheet steel armchair by Rod Arad was at the bottom of its estimate, selling for £5,500, as was a Nick Allen shot blasted oak and steel bureau cabinet which made £4,400.

Blairman, the London dealer, paid £13,200 (£2,500 top estimate), for a Marsh and Jones satinwood and marquetry bureau cabinet, to a design attributed to Charles Bevan, while another London dealer acquired an electroplated three piece tea service designed by Dr Christopher Dresser for James Dixon in 1880 for £11,000. Dresser pioneered simple designs in reaction to the ornate High Victorian artists.

At Sotheby's toy and doll sale a rare Phalbois Indian Tightrope-Walker and Musicians Clock automaton, made in France around 1880, was on target at £23,100 while a George III wooden dolls house of around 1790, packed with odds and ends, made £14,300.

★

The Royal College of Art announced yesterday the richest prize in the UK for an artist. The winner of the Contemporary View 1990, open to every penultimate degree year fine art student, will receive £25,000, and be marked as the most promising artist in the UK. All works exhibited will later be sold at a charity auction at Christie's South Kensington.

Antony Thorncroft

Suk Trio

WIGMORE HALL

There is not a great deal to say about the Suk Trio: they are among the best piano trios in the world, to say the least, and pure pleasure to hear. A very few fortunate readers might still find tickets for them on Saturday, or for Josef Suk and Josef Hála – the violinist and pianist – this Thursday. As senior contributors to the Wigmore "Bohemian Festival," they are performing exclusively Czech music, which of course they do in peerless style.

On Tuesday they played Dvorák, Smetana and an early "Elegie" by Suk-the-composer, grandfather of Suk-the-violin. That was not so interesting: it is the kind of middling Late Romantic piece where each successive impassioned phrase allows you to guess the next with near-certainty, and the absence of surprise diminishes the passion. Instead one sat back and admired the Trio: the satisfying full-bloodedness of their sound, their superb objectivity, the way in which each of them transcends the vulgar distinction between "mere" partnership and solo authority.

Since Suk is a great violinist, his colleagues might be expected to take their lead from him. In practice there is no hint of leader-and-followers; precisely what makes the Trio so formidable is that each member contributes his own singular authority. Perhaps, in solo passages, Suk's artistry compels one's attention in a special way, but he doesn't domineer. Hála's sonorous rhetoric – seemingly unconstrained, and yet in perfect accommodation with the strings – had no less character, and under Josef Chuchro's bow the cello-parts sounded new-minted. (Could this seamless equity have anything to do with the fact that they're all called Josef?)

Their Dvorák was the fine F minor Trio, creditably Brahmsian but no less original for that. It would be a rare team who could match the Suk's breadth of purpose and precisely graded colours. In the G minor Trio of the 31-year-old Smetana, a work that fairly breathes anguished feeling, they offered a reading of noble depth without easy pathos. Among many other things, I was amazed by the pianist's flawless balance in swift passages of block-chords-plus-tune: "virtuoso" only to specialist ears, maybe – but damnably hard to bring off. Suk Trio performances are full of unshowy marvels like that.

David Murray

Joshua Bell

FESTIVAL HALL

Even with Vladimir Ashkenazy as conductor, the Royal Philharmonic Orchestra's programme on Tuesday was as staid and unenterprising as one could conceive – Beethoven's third *Leonora* Overture, Mendelssohn's Violin Concerto and Chaikovsky's Fifth Symphony.

The spark of novelty was provided by the soloist – the 21 year old Joshua Bell, much celebrated by his record company over the last year, and the latest in a line of young instrumentalists in danger of finding his career taken over by image makers and packagers.

Certainly the winsome photo sessions have fostered entirely the wrong impression of Bell. As his first discs demonstrated and this concerto performance amply confirmed, he is not at all the flamboyant superstar, self-consciously assembling a public persona at the expense of his art, but a thoroughly serious, intelligent musician.

There was nothing flashy about this Mendelssohn, indeed the lack of dash in his presentation might well have accounted for the lukewarm reception his excellent performance received; audiences like their new stars to fizz and spark, and Bell just walks on and plays.

The RPO's accompaniment was by no means ideal – a little leaden, thick-textured – and not helped visually by some aspects of Ashkenazy's baton technique. The porridge-stirring gestures of his right arm may invigorate a Rakhmaninov or Shostakovich symphony, but in trying to exact lightness and flexibility in Mendelssohn they seem out of place.

Bell, though, stuck to his task, phrasing consistently and beautifully, impeccable of intonation; he discovered real kernels of intimacy in the slow movement (no mean achievement with such a large band in the Festival Hall), kept the finale on the tightest of rhythmic reins without ever lapsing into routine. Nothing had been calculated for effect, everything had been designed for purely musical ends. He is a substantial talent, with or without the hype.

Andrew Clements

Carnival of the Animals

DERNGATE THEATRE, NORTHAMPTON

The Ballet du Nord, whose home is near Lille, is a lively troupe that had made several visits to the regions. A large Balanchine repertory, revivals from the palmy days of the de Cuevas Grand Ballet (of blessed and happy memory), help identify the company's classical base, as do the creations of its director, Alfonso Catà. In Northampton for this week – the Derngate stage is welcoming for dance – the Ballet du Nord proposed a first programme clearly designed for a schools matinee. Lightweight, undemanding, Catà's versions of *Peter and the Wolf* and *The Carnival of the Animals* might be thought rather short commons by grown-ups. (Later programming will bring Balanchine's *Serenade* and Catà's *Piaf* as sterner adult stuff). But they are well crafted and danced with a great sense of fun by their casts – and Tuesday night's public were clearly delighted.

The set for *Peter and the Wolf* is gleaming steel tubing to make Peter's house, the Bird's tree, and the forest whence emerges Pascal Minam Borier as a self-consciously wicked wolf. (The Duck has to make do with a small plastic pool – but she does manage to fly to heaven on wires at the last, complete with gold halo, so we understand that she has done quite well for herself.) Catà's narrative manner is simple, relying upon his cast's ability to enjoy themselves, and it is especially successful with the hunters, a ludicrous quartet more likely to shoot themselves in the foot than exterminate a wolf.

The Carnival of the Animals follows Saint Saens' procedures by making a series of quick jokes followed by blackouts. Each is introduced by a witty cartoon slide (I was much taken by what I think may be the Fish in the Iron Mask) and each makes its point. Very merry the Elephants with their trainer, and the Prince swathed in purple-lined cloak whose Albrecht-like emotings are sabotaged by cuckoos. The piece, though, is made for a youthful public – ballet without tears of tedium – and as such tells about uncomplicated dancing and about the basic magic of lighting and moving bodies. The Aquarium is evoked in rippling spot-lights and could not be more watery. The Midland Philharmonic Orchestra under John Gale were fine accompanists, and I salute the unnamed but excellent pianists in the *Carnival*. Not the most cosmic of evenings, perhaps, but lightening to the spirits.

Clement Crisp

ARTS GUIDE

January 26-February 1

EXHIBITIONS

London

The Royal Academy: Frans Hals – the great retrospective, already shown in Washington and due to go on to Haarlem, of the work of one of the greatest painters of the 17th century Dutch school. Master of the portrait, he was all but forgotten for 200 years after his death in 1666, and he remains an enigmatic and controversial figure.
The Royal Academy. Inigo Jones, Architect – a full study and exquisite show of the intimate drawings and designs of the greatest of British architects, only excepting Sir Christopher Wren. Daily until February 25, except bank holidays.
The Hayward Gallery. The Other Story – an intriguing but uneven survey of the work in Britain since the war of artists drawn from cultures other than that of the western European tradition – weak in its socio-political and historical analysis but often strong in the individual work. Daily until February 4, except bank holidays.

Paris

The Louvre. The landscape in Europe from the 16th to the 18th century. The exhibition of some 150 drawings by Rubens, Brueghel, Poussin, Rembrandt and others retraces the development of two different conceptions of landscape representation with the scientific treatment of perspective favoured in Italy and the more atmospheric one prevalent in the northern countries. Pavillon de Flore. Closed Tues, ends April 23 (40205151).
Grand Palais. Eros. Some 100 vases, marbles, bronzes and jewels dating from Greek antiquity describe most explicitly the verve with which the god of love encouraged humans and gods alike in their uninhibited pursuit of pleasure. Closed Tue, ends Feb 5 (42895410).
Musée d'Art Moderne de la Ville de Paris. Kupka (1871-1957) or The Invention of Abstraction. The subtitle of the vast retrospective sums up the progress of the Czech-born artist from Vienna-inspired symbolism to non-figurative canvases where glorious colours acquire a life of their own. 11 Avenue President Wilson, closed Mon, ends Feb 25 (47236127).
Musée Carnavalet. Paris in daguerrotypes celebrates the 150th anniversary of the birth of photography with an exhibition ofsome 150 old daguerrotypes completed by 30 modern ones. 31, rue des Francs-Bourgeois, closed Mon, ends Feb 28.
Institut du Monde Arabe. Egypt-Egypt. An exhibition of 25 chef-d'oeuvres, including the most recent finds, starts with statues and bas-reliefs dating from the middle-empire, continues with a golden crown of a high priest of Osiris with some elements of Roman art and Coptic icons and concludes with Islamic exhibits. 1, rue des Fosses-Saint-Bernard (closed Mon). Ends March 18 (40513838).

Brussels

Musées Royaux des Beaux-Arts. Seventeenth century flower paintings; a selection from the museum's collection of Flemish and Dutch masters. Closed Monday; ends Feb.
Archives Générale du Royaume, Grand Sablon, commemorates Belgium's short-lived declaration of independence from the Austrian Empire and the subsequent power struggle between France and Austria for control of Belgium. Daily, closed Sunday, ends 31 March.

Rome

Villa Medici and Palazzo Degli Uffici. A homage to Andre Masson: over 350 works by the French surrealist painter spread inconveniently over two sites, connected by a half-hourly bus. Ends Feb 15.
Galleria Nazionale D'arte Moderna. Jean Dubuffet. Immensely enjoyable exhibition which includes drawings, paintings and sculpture from the Twenties up to the last works of the early Eighties, with salient and illuminating quotations from Dubuffet's writings. Ends Feb 25.

Milan

Castello Sforzesco. Henry Moore retrospective. 49 sculptures covering the years 1938-1983, the larger of which are seen to excellent effect in the courtyard of the 15th century castle, while the smaller bronzes, preparatory studies and drawings are shown inside, in the beautifully lit Sala Viscontea. Ends March 25.
Palazzo Reale. Fernand Leger retrospective: includes over 150 works – paintings, watercolours as well as book illustrations. Ends Feb 18.

Madrid

Centro de Arte Reina Sofia. Antonio Saura. 70 works by the Spanish artist painted between 1956 and 1985. The exhibition focuses on four themes: Ladies, Crucifixions, Goya's dogs and Multitudes. Ends March 19.
Palacio de Velazquez. Art in Latin America. The exhibition analyses the sources and development of art in Central and South America, from the wars of independence through to the present day. Ends March 4.
Museo del Prado. Following the highly successful Velazquez exhibition at the Metropolitan, the Prado is now host to the largest show to date of works by the great 17th century artist. Ends March 15.

Frankfurt

Schirn Kunsthalle, Am Römerberg 6. The Surrealists. Around 500 paintings, drawings, photos and objects are on display with works by Masson, Tanguy, Man Ray, Tanning and Ernst. Until Feb 18.

Hamburg

Kunsthalle Glockengiesserwall. Ian Hamilton Finlay with works from the French Revolution. Ten of the Scottish painter's projects including reliefs and 40 graphic works are on show until Feb 28.

Hanover

Sprengel Museum, Kurt-Schwitters-Platz. Der blaue Reiter (The Blue Horse). This museum is displaying around 61 pieces from its own collections as well as some additional paintings on loan from East Germany and by other artists who belonged to the same Munich-based group. Works by Wassily Kandinsky, Franz Marc, August Macke, Alexej von Jawlensky, Gabriele Münter and Marianne von Werfekin can be seen until Feb 11.
Kestner-Gesellschaft, Warmbüchenstrasse 16. A retrospective of the Spanish painter Joan Miro (1893-1983), with around 120 works on loan from Spain. Ends Feb 19.

Cologne

Museum Ludwig, Bischofsgartenstrasse 1. The most comprehensive retrospective on Andy Warhol, who died in 1987, with around 160 pieces from New York. They can be seen only in Cologne until Feb 11.

Munich

Städtische Galerie im Lehmbachhaus. The most complete retrospective of the expressionist painter Karl Schmidt-Rottluff to date with almost 370 works from 70 collections.

Vienna

The Kunsterhaus is host to Mercury and the Muses, a vast collection of artifacts, documents and objects from Leipzig, on display for the first time. The collection, ranging over four millennia, contains treasures from Ancient Egypt, Greece and Rome. Ends Feb 18.

New York

Pierpont Morgan Library. The library's superb collection on Gilbert and Sullivan, including autograph scores and libretti, letters and memorabilia, is the centrepiece of this exhibit, the most comprehensive ever mounted on the Vicortian operetta masters with more than 400 items on view. Ends Feb 18.

Washington

National Gallery. Highlighting this decade's renewed interest in printmaking in America, the 100 prints comprise a special exhibit borrowed from the collection of Joshua P. Smith, among them works from major contemporary artists including Jasper Johns, Richard Diebenkorn and Alex Katz. Ends April 8.

Tokyo

Teien Museum, Meguro. Art Deco in situ. Once known as the Asaka Palace, and built for a member of the imperial family in 1933, this museum has one of the finest art deco interiors in the world. This is a unique opportunity to see areas of the building not normally open to the public, with explanatory panels and art objects of the period.
Idemitsu Museum. Ceramics of Japan. First part of a comprehensive exhibition devoted to major pieces from the museum's own vast collection and focusing on karatsu ware and other ceramics from Kyushu.
Suntory Museum. A selection of works from the museum's collection of Edo period artifacts: combs, ornamental hair pieces, exquisitely lacquered, make-up sets etc. The museum also has a tranquil library and a tea ceremony room to relax in.

FINANCIAL TIMES
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Thursday February 1 1990

Let Kaifu be Kaifu

SIMPLY BECAUSE its government has been run by conservatives in different guises for 42 years, general elections in Japan have invariably come and gone without leaving much of a discernible footprint behind. Post-war Japan has seen nothing comparable to the British election of 1979 or those in the US of 1960 and 1980 from which a genuine change in national direction can be said to have ensued. Some might say this predictability has been a strength, not a weakness.

Of course some Japanese elections have mattered. The left's greatest opportunity was dissipated in 1960; Tanaka's advent in 1972 led to a more vigorous policy-making, at home and abroad; Nakasone's triumph in 1986 was something of a vindication for internationalist attitudes. But even the most ardent Japanologist would be pushed to maintain that the verdict of the people has counted for more than the mostly sensible, evolutionary policies often opaquely put in place by the secure establishment in Tokyo.

Conventional wisdom

For much of last year, and even in recent weeks, if the Tokyo stock market has any reliability this conventional wisdom was at least questionable. The death of Emperor Hirohito implied, albeit indefinably, the passing of an older order. Hitherto's subdued sentiments, such as consumerism, feminism and less abashed nationalism, appeared to take wing. Politically, the ruling Liberal Democrats, beset by scandal and disaffection from its natural constituencies of farmers and small business, took a hiding in Upper House elections. Mrs Takako Doi seemed to be in the process of reviving the long moribund Socialist Party. Japan, to the outside world, looked as if it was experiencing a political and social life no longer confined by the parameters of Confucianism and GNP numbers, the second of which remained the envy of all.

This, too, seemed appropriate since at no time has full domestic and foreign discussion of Japan's role in the world been more apposite. It became a cliché in the 1980s to debate the patent gap between national economic might and global influence. This decade will be one in which Japan comes into its own in the fullest sense. The only questions now are precisely how and where.

Introspective politics

Yet, less than three weeks before the country votes, Japanese politics appear as static as ever. The LDP will almost certainly get back, even if with a smaller majority. The opposition parties, deeply flawed in any event, are hardly fielding enough candidates to pose a serious threat. But their expected gains and the fact that the LDP no longer absolutely rules the Upper House promise protracted and probably introspective politics as usual.

Already the principal focus is not on the election but on the identity of the next Prime Minister. It will take an exceptionally good result for Mr Toshiki Kaifu to hang on. The growing assumption is that he will be eased out to make way for someone like Mr Shintaro Abe, the former foreign minister and party grandee who was denied by the Recruit scandal the opportunity to take his turn last year.

This will be a pity, for Mr Abe represents Japan's past, not its present or future. It would be better either to persevere with Mr Kaifu, to whom the LDP owes some debt for its recovery and who is not the captive of one of the power blocs, or to turn the baton over to someone from the younger generation. For Japan's full integration in the affairs of the world is going to require a political dimension which it still mostly lacks. It ought to have politicians in place able to appreciate this.

Problems of public pay

THE LONG-RUNNING ambulance dispute is a symptom of the pressures now building up on public sector pay. The last such explosion occurred during the "winter of discontent" of 1979, which provided the background to the Clegg comparability recommendations that blighted the present Government's first years in office. A comparable exercise had taken place in 1974-75, following an inflationary upsurge. Pressures for a "catch up" in public sector pay are one of the best indicators that the Government is wrestling with an economy that it has allowed to overheat.

The pressure is not surprising. According to the latest report on Public Sector Pay from Incomes Data Services, average earnings in the public sector were above those of the private sector in 1984. This is no longer true. Earnings in the private sector have increased by 9.4 per cent more than in the public sector since then.

The relative decline has been particularly sharp for female non-manual workers in public services, whose relative earnings have fallen by around 20 per cent from a peak in 1981, according to figures from the National Economic Development Office. But their pay does remain above that of comparable employees in the private sector. The same is not true for male non-manual employees, whose relative pay has declined by close to 15 per cent since 1981 and whose average pay was 10 per cent below that in the private sector last April.

The squeeze that governments impose upon the pay of many of its employees has consequences that are similar to those of rent control. At first, the public enjoys what is, in effect, a tax upon its servants; then clear signs of dilapidation emerge, as the quality of the labour force deteriorates, morale plunges and shortages emerge; frustration grows until, ultimately, there is mass unrest and a pay explosion.

Productivity

How have governments of both parties managed to get themselves into this mess? An important part of the reason is that there is less opportunity for improving productivity in most public services than in the economy as a whole. Consequently, these services become progressively more expensive over time. Yet governments wish to lower taxes. An obvious way to square the circle is to drive down the relative pay of public sector workers, something that a government's monopsony power allows it to do. Such a squeeze is always most effective when inflation is high and most politically attractive when inflation is rising.

Long cycles of repression, followed by unrest and a pay explosion are no way to run a public sector that does, after all, still employ a quarter of the labour force. What then is to be done? One part of the solution must be as much privatisation as is feasible. While privatisation does not obviate the need to provide adequate expenditure where government is paying for the services, it does, at least, free government from direct responsibility for determining what is fair pay.

Benchmark

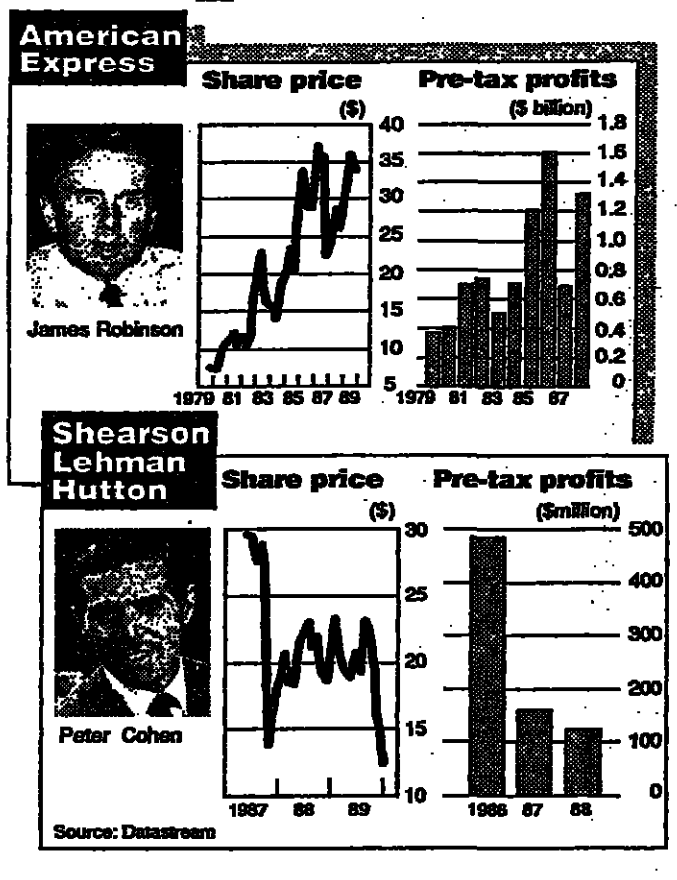
Another element in the solution is bargaining in the light of local conditions. But where a national framework survives, as it is bound to do in services like the NHS, it can best be managed either by a pay formula or by external review, particularly in the essential services. The benchmark to be used under either of these alternatives should be the rise in average earnings for workers with directly comparable skills. But relative pay must also be allowed to move up or down in response to a shortage or glut of suitable employees. An additional aim in any award should an element of efficiency improvement.

The use of a relatively objective procedure is particularly important in those services where strikes are unacceptable. The current disruptions in the ambulance service, the result of an overall offer by the Government that is decidedly low, have become a scandal. If such situations are to be avoided, the *quid pro quo* must be a relatively objective process in which workers have confidence.

Public sector pay is an unavoidably vexed issue, but it becomes far more difficult when inflation rises out of control. With unpredictable rates of inflation, cash limits are virtually unworkable, something the last expenditure review demonstrated rather clearly. Yet a reduction in the relative pay of employees in the public sector pay is not an alternative to sound macroeconomic policy, pursued consistently over many years. The Government has failed to achieve this basic condition for success. It is wrong to expect public sector employees to pay the price for its failure.

Alan Friedman reports on the management changes at Shearson Lehman Hutton

The boss steps down



It didn't require the resignation of Peter Cohen as chairman of the troubled Shearson Lehman Hutton, America's second biggest securities house, to prove that Wall Street's 1980s joy-ride is finally over.

Wall Street has already had plenty of evidence that its Bonfire-of-the-Vanities excesses have gone too far.

There are none the less few better examples of the new realism of the 1990s than the Tuesday night ouster of Mr Cohen – the quintessential yuppy investment banker – by the board of American Express, Shearson's majority shareholder.

The brash 43-year-old Mr Cohen, who was forced out even as he toured the US to promote a now-cancelled $260m Shearson public share offer, had presided over mounting management chaos at Shearson and a string of failed deals and write-offs.

The ultimate meaning of Mr Cohen's downfall, however, goes well beyond Wall Street's woes. It has as much to do with the remaking of corporate strategy at American Express, the US financial services and travel giant.

American Express is now clearly discarding its own 1980s hopes of achieving synergies among retail broking, investment banking and Swiss private banking along with the more traditional plastic card and related consumer businesses.

The New York-based group has wanted to deconsolidate Shearson for some time, partly to get the security firm's $7bn of debts off the American Express group balance sheet, but also because Shearson accounts for half the group's $140bn of assets.

Mr James Robinson, the soft-spoken 54-year-old southerner who chairs American Express, said in an interview that Shearson's $70bn of assets "gives us the look of a company being driven by Wall Street and that's wrong."

The Shearson share issue, the centrepiece of an urgently needed $870m recapitalisation, would have diluted American Express's stake from its current 61 per cent down to 49 per cent. But the Shearson share price had tumbled by 30 per cent since the issue was announced in mid-December and met with a tepid investor response – the price has rebounded quickly since the announcement of Mr Cohen's departure first leaked on Tuesday afternoon.

Now American Express will replace the share issue with a rights offer that could see the company stumping up $250m of its own capital before eventually reducing its Shearson stake to 45 per cent by handing the excess stock over to its own shareholders.

Mr Robinson is playing down the redirection of the company. That is to be expected. Yet the $1bn sale of its Swiss-based Trade Development Bank (TDB), to be completed shortly, is perceived on Wall Street as further proof that American Express's ambitious diversification policies of the 1980s have had to be trimmed. There are two reasons.

First, the traditional card and cheque businesses, together with new information and consumer financial service businesses, especially outside the US, grew far more rapidly in the 1980s than could have been predicted. Last year American Express earned 85 per cent of its $1.16bn of net profits from three businesses: travel related services (charge cards and travellers cheques); consumer financial services; and information services.

Second, broking and private banking required too much in the way of management and capital commitments.

Mr Robinson insists that the TDB sale and Shearson management changes do not imply a strategic sea change for American Express. He rejects the use of the word "retrenchment" to describe what is happening. "We are simply concentrating on what we do very well," he says.

TDB, which was first acquired in 1983 from Mr Edmond Safra, the reclusive Geneva-based banker, "required a lot of management attention for a specialised market niche," he says. And the American Express group strategy has undergone a "1980s transition" that now places more emphasis on consumer financial services and related businesses, which can take advantage of American Express's unique customer base of 34m cardholders, including 9.8m outside the US.

"We have gone from a broader perspective to a very strong focus," says Mr Robinson.

There is, however, no getting away from the fact that from 1984 on, American Express made loud and frequent references to how it would plaster its famous "blue box" logo on a number of different financial products. The strategy was pursued avidly by Mr Robinson and by his two American Express presidents – Sandford Weill and Louis Gerstner.

Mr Weill left American Express in 1985 after his bid to acquire the Fireman's Fund insurance subsidiary was rejected by Mr Robinson. Mr Gerstner, an American Express veteran who is considered an astute corporate strategist, then supervised the spinning off of Fireman's.

The wild expansion of Shearson, which American Express acquired in 1981, was very much the work of Mr Cohen, who started his career as an analyst in 1971. He had come up through the ranks as an aide to Mr Weill. But whereas Mr Weill had vision, Mr Cohen was always a deal maker, a classic number cruncher.

Wall Street considered Mr Cohen a *Wunderkind* in 1987 when he masterminded the costly $960m takeover of E F Hutton, a rival retail broker. At the time, it seemed a master stroke, putting the renamed Shearson Lehman Hutton on a par with Merrill Lynch, the market leader.

Now, however, Mr Robinson admits that with hindsight, the Hutton deal was "a mistake." *The reason, he explains, was* the $1.3bn of good will it put onto Shearson's balance sheet. Hutton, despite having the asset of several talented executives, became a financial albatross.

Mr Robinson had his hands full last spring, when Mr Gerstner announced, with very short notice, his decision to accept the challenging job of running RJR Nabisco, which had just been taken over by Kohlberg, Kravis and Roberts (KKR), the buy-out specialists. The situation was further complicated when Mr Aldo Papone, the obvious successor to Mr Gerstner, said he had health problems.

The American Express chief cobbled together an unwieldy management structure consisting of four top-ranking "presidents" – Mr Papone as *éminence grise* and three other division heads in what is called the Office of the Presidents. And while Mr Robinson claims the structure is working very well, American Express watchers are convinced it will give way eventually to a single presidency.

Mr Robinson's toughest decision was taken on Monday after a string of weekend meetings. He cancelled the Shearson share issue and named a new boss for Shearson: Mr Howard Clark Jr, the conservative chief financial officer of American Express, whose father was a former chairman of the group.

Mr Cohen's reputation has been tarnished severely in recent months. Shearson's list of problems is long. The main ones include Mr Cohen's unsuccessful attempt to back a 1988 management buy-out of RJR Nabisco by former RJR chief Ross Johnson; $100m of Shearson write-offs in 1988 associated with the firm's holding in MCorp, a defunct Texas bank; the discovery that a Shearson subsidiary – the Boston Company – had overstated earnings by $30m; and last year's heavily publicised introduction and rapid failure of "unbundled stock units."

Mr Robinson told Mr Cohen months ago that there were three Shearson problems to solve: the business, the management and the capital problems. This last was especially serious in light of a threatened downgrading of Shearson's bonds by Moody's, the rating agency.

On Monday night Mr Robinson and Mr Cohen met for what is described in New York as a showdown, but which the American Express chief says was "a low key thinking together" session where "no harsh words were exchanged."

In fairness to Mr Robinson the process of remaking American Express holds promise for the 1990s. He is cutting out the most capital absorbing businesses with the lowest return on equity and prospective growth and concentrating on what American Express does best.

Did American Express leave things for too long at Shearson? Perhaps. But Mr Robinson is determined to "fix our wounds." He reckons American Express is now on track for the next decade, although he carefully inserts his favourite caveat, the line that sounds as though it comes straight from a PR handbook: "The only constant in life," he says, *smiling*, "*is change.*"

BOOK REVIEW

New truth of the origin

WONDERFUL LIFE: The Burgess Shale and the Nature of History
By Stephen Jay Gould
Hutchinson Radius, £14.95

When a respected disciple of Darwin declares that a scientific "revolution" has overthrown the orthodox view of natural selection, the world will surely take note, however odd the reasons.

Stephen Jay Gould, the Harvard biologist, with a bluff prose that combines vernacular humour and precision, is just the man to tell this tale of discovery, wilful misunderstanding (even falsification of evidence) and gradual awakening to a new truth.

The book's subtitle, The Burgess Shale and the Nature of History, advertises the wide sweep of his focus. It pans from the peculiar – though spectacular – fossil discoveries in the shale cliff of the Canadian Rockies in 1909, to the painstaking re-evaluation of some 80,000 of these fossils in the dusty drawers of the Smithsonian Institute in Washington during the 1970s and thence to a grand panorama of ideas about man's place in the universe.

This theme is the erosion of that cherished western illusion of man at the centre of the universe. Although the Earth has long since been removed from its central position, the Darwinian assault on the idea of divine creation has never been fully assimilated. At least, it was thought, a higher power might in some sense have set the clockwork of natural selection going towards the inevitable *emergence of man.*

Gould believes some such presumption led to the first misunderstanding of the significance of the Burgess Shale. Recently a proper understanding of "the world's most important animal fossils" has so changed scientific perceptions of the march of natural selection, he says, that man can no longer be seen as an almost inevitable outcome of cumulative adaption. On the contrary, the survival of the fittest was subject to many large-scale accidents. The species which survived to the 20th century AD owe their success to an enormous number of flukes (as well as superior adaption).

This view is based on the reconstruction of some very strange creatures indeed, which were swimming together near the shore 530m years ago when a mud slide is presumed to have entombed and pickled them for posterity. Opabinia, with its five mushroom-shaped eyes, its vacuum cleaner nozzle surmounted by pincers and its mouth facing backwards in the middle of its chest is indeed so strange that it provoked an outburst of laughter when it was first shown in 1975 to the Paleontological Association in Oxford, England.

Other animals carefully reconstructed by Harry Whittington, the Cambridge University paleontologist, and his colleagues are no less strange – like the sci-fi Hallucigenia, a sort of worm with a bulbous head and a chimney for an anus, standing on seven pairs of stilts and sporting seven tubular mouths out of its back.

Originally thought to be mere curiosities, these weird creatures are now invested with profound significance. For out of a single quarry no bigger than an apartment block, Whittington and his colleagues have identified far greater diversity in the basic design of animals than exists in the entire oceans of the modern world. The Burgess Shale yielded more than 20 different designs of arthropods (invertebrates with jointed bodies and limbs) compared with only four basic designs in the world today.

The implication, Gould says, is that in the earlier phase of evolution an explosion of different life forms occurred, beyond the realms of fantasy, but the great majority were extinguished in the march of the millennia. This is radically different from the previous idea that life began with a relatively small number of simple animals branching into a broad tree of increasing complexity. Now it appears that the tree of life was broad as a hedge at an *early stage, but then pruned by* natural disaster. We are the result of one of the stray shoots that happened to escape the shears.

Gould tells this story with the verve of an enthusiast, some good literary jokes and plenty of historical detail. Non scientists will be pleased to find him at ease quoting Pope and even indulging in an apposite joke with a multiple quotation from the famous soliloquy of "Polonius's nephew".

You see, natural selection is about the different forms of death, and the Burgess Shale is a wonderful example of travellers returning from the bourn of that undiscovered country to reveal the secrets of the past.

He is also very good on the history of the administrator and great amateur paleontologist Charles Doolittle Walcott, who discovered the creatures of the Burgess Shale and then spent many years assiduously misclassifying them.

The technical descriptions would be hard going all the same if it were not for the amazing pictures; and some of the earlier parts betray his penchant for the rotundities of an essayist, which he put to such good effect in *Ever since Darwin*. Any reader burdened by his nomenclature, however, should remember the subtitle might have been "Carry on digging; you may find gold."

Max Wilkinson

OBSERVER

Last of the skeletons

■ It looks as though the last of the skeletons are being cleared out of the Bank of England's cupboards as Sir George Blunden prepares to take his leave as Deputy Governor.

Or, to put it another way, the life of Slater Walker, the once renowned, then notorious investment group is drifting peacefully towards its close. The final meeting of its directors took place yesterday with Blunden very much in attendance. The company is now capable of being wound up in an orderly manner.

When Slater Walker ran into difficulties in the property collapse and secondary banking crisis of the early 1970s, one of the Bank's most controversial decisions was to save and swallow it up, with some initial help from Sir James Goldsmith.

It has been a long haul but, under Blunden's supervision, by the end of 1988 the company had made a cumulative profit of nearly £30m. Yesterday's board meeting was the prelude to an imminent announcement about what happens next.

Blunden in his time also presided over the orderly winding up of Edward Bates, the fringe bankers. The sums recouped by the Bank were not on the Slater Walker scale, but still ran into the millions.

That leaves the Johnson Matthey Bank, a much later casualty and now known as Minories Finance. Under the Bank of England's ownership, it is recuperating successfully, though matters will not be finally resolved before Blunden's departure this month. Indeed on the Slater Walker precedent, it might be something like the year 2,000.

Cohen's run

■ When Sanford Weill handed over the running of Shearson, the Wall Street brokerage firm and American Express subsidiary, to a thrusting young Peter Cohen in 1983, he gave his one-time protege a pair of oversize shoes – just to show him what he had to fill.

For some time the shoes, together with a British-made brass and polished wood ship's wheel (donated by the "boys in the engine room" – Shearson's back office operations – to help him steer a true course), adorned Cohen's office high up in the World Trade Center overlooking Manhattan.

Those were the days when, like Tom Wolfe's ficticious hero Sherman McCoy, in Bonfire of the Vanities, Cohen was indeed a Master of the Universe.

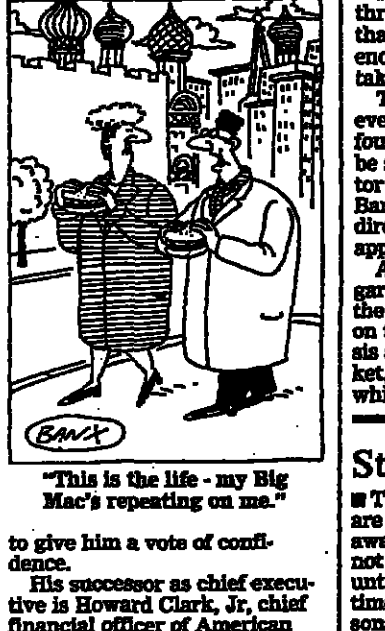
Under the eyes of the American Express chairman, James D Robinson III (Jimmy three sticks), Cohen went in for a string of acquisitions and built Sherson Lehman Hutton into the second largest Wall Street investment banking firm.

Along the way, he became both hero and villain, as well as open to parody. He always made his points while stabbing the air with a fat cigar. His salary was in the multi-million dollar range (around $4m in 1986). He built himself a sprawling mansion on Long Island complete, it is said, with a waterfall. It was there many of the big deals were negotiated.

Cohen acquired a reputation as a ruthless cost-cutter. He oversaw a succession of job cuts, which accelerated as the business turned sour in the wake of the acquisition of E F Hutton in 1987.

Last November, as Shearson revealed another round of redundancies and a management shake-up, Cohen would only comment that he believed his own position was not at issue. He was wrong. Earlier this week, he resigned as chairman and chief executive of Shearson Lehman Hutton after Jimmy three sticks declined to give him a vote of confidence.

His successor as chief executive is Howard Clark, Jr, chief financial officer of American Express – and son of its founder. Still, for the 43-year-old Cohen, perhaps it was fun while it lasted.



"This is the life - my Big Mac's repeating on me."

No more banks

■ Ted Coltman is retiring as managing director of Granville Trust, the private banking arm of Granville & Co, this month several years before he has to. He says he decided on his 62nd birthday last July that he was comfortably off and would prefer to spend more of his time fishing and gardening.

Coltman is one of the few people to have built up two private banks. He went to Dunbar in 1972 when, in his words, it was composed of one man and four girls, had a capital of £250,000 and was making a loss. It was known as Sean Connery's bank, after the movie star who had a stake in it and was on the board.

Coltman developed the activities. Dunbar survived the secondary banking crisis, though, he says now, only just. It is now part of Allied Dunbar.

He founded Granville Trust three years ago and reckons that it is now profitable enough for him decently to take his leave.

The terms of departure, however, do not permit him to found another bank. He will be succeeded as banking director by Mark Andrews of Lloyds Bank, though a managing director has yet to be appointed.

Apart from the fishing and gardening, there will also be the Coltman memoirs which, on the secondary banking crisis and on the property market, could be something to which to look forward.

Storm at BP

■ The new brooms-to-be at BP are already busily sweeping away. Robert Horton, who will not take over as chairman until March, has begun a full time job of stamping his personal imprint on the company. The latest idea: a Cultural Change Team.

These are the enlightened souls charged with bringing sweetness and light to BP's corporate culture, which Horton's official investigation *found to be full of mutual distrust* among the staff, avoidance of risk-taking and responsibility, not to mention rampant second guessing of decision-making.

When Horton finally does become chairman, expect a whirlwind.

Typical

■ From a report of a meeting of a Surrey golf club: "The Secretary said he was sorry to announce that the cook had left to take up other employment. She had been with the club for six years and was very popular. Her cuisine was limited, but she was a good cook, as cooks go." And as cooks go, she went.

David White explains why the future is uncertain for the 325,000 American army, navy and air force personnel stationed at bases round Europe

Sheathing the long sword

Nobody noticed much when President Bush first made the pledge. He did it at Boston University last May: "We will maintain, in co-operation with our allies, ground and air forces in Europe as long as they are wanted and needed to preserve the peace in Europe."

No US President had ever made such a long-term commitment, and Mr Bush has since had cause to repeat it. What the allies did not know then (but soon would) was that the US was on the point of proposing its first public withdrawals of forces from Europe, building its plans into Nato's negotiating platform for conventional disarmament.

Almost in the same breath, Washington began considering deeper cuts to lighten the financial burden of its engagement in Nato. This burden is estimated at up to $180bn a year, more than the European allies themselves spend on defence. European allies were forewarned over the past few days of plans for lower ceilings for US and Soviet stationed forces than the 275,000 each (excluding navy personnel) tabled in the Vienna arms talks.

Political change in central Europe has been so enormous that the agreed goals of arms control now risk appearing modest

As has happened with the torrent of political change in eastern Europe, possibilities that seemed remote only months ago have leapt forward on the agenda. Ever since President Truman sent in extra divisions to Europe at the time of the war in Korea, the US presence has been a set feature, even though numbers have gone up and down. Now the whole future of the 325,000 US airmen, soldiers and sailors at European bases is open to question.

In that context, Mr Bush's carefully-worded promise is both an assurance and a challenge to allied governments. Will they agree how many are "wanted and needed"?

The reality of withdrawal was brought home by the proposals in this week's US budget to wind down or reduce 10 European facilities. Militarily these cuts are superficial. The most important are in Greece, but US bases have long been in contention there; the greatest number are in the UK, where four bases are affected, but US facilities are myriad and the cuts amount to no more than spring-cleaning; two of the 10 – Britain's Greenham Common and Comiso in Sicily – were in any event losing their function because of the treaty banning cruise missiles.

However, the publicity surrounding them conveys a sense that notice has been served, that something irreversible is in train.

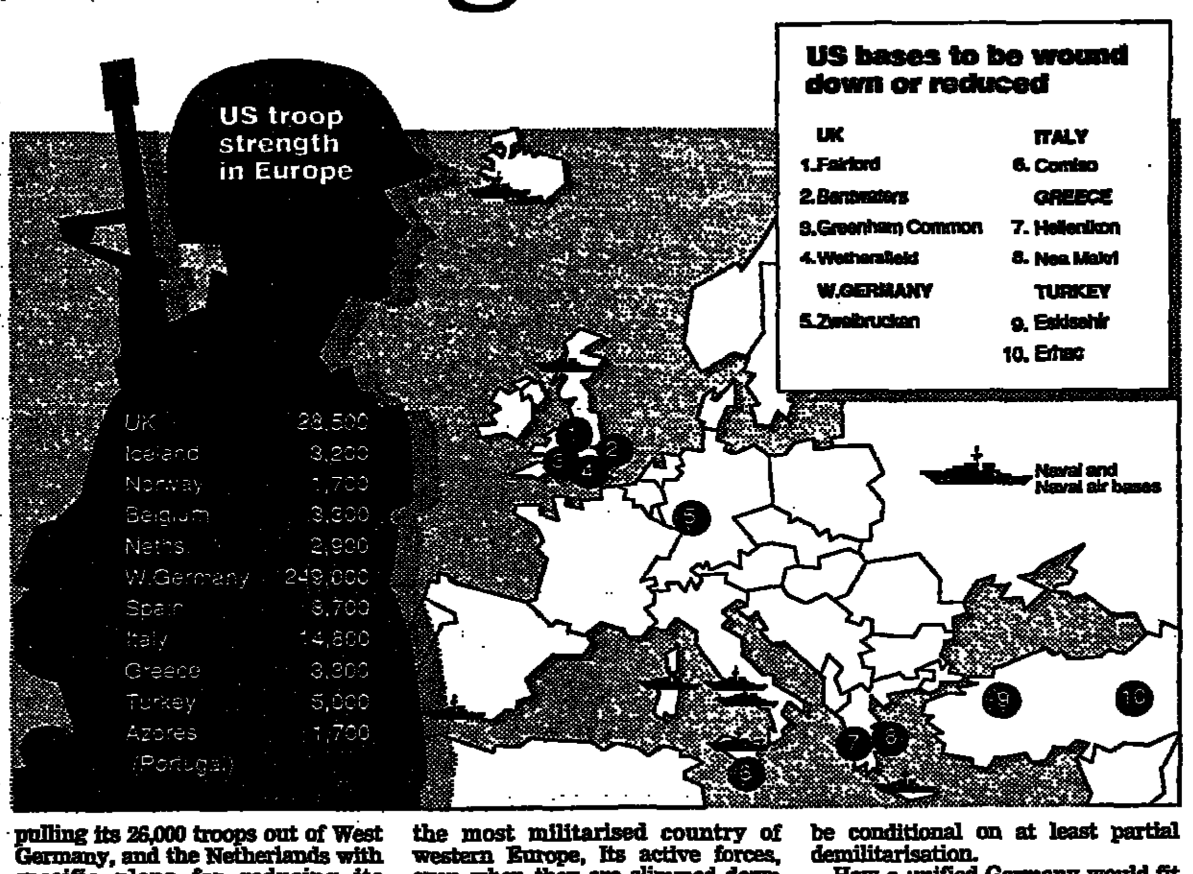
Last year, when General Andrew Goodpaster, a former Nato supreme commander in Europe, proposed 50 per cent troop cuts, it seemed radical. Today, that is just what US military planners are working on for 1995. Withdrawals could then go further, although it is not yet clear, between the US and its various allies, who will do the pushing and who the pulling.

A senior US diplomat at Nato sees pressure in the US continuing to grow, despite continued public support for the alliance. For much of Congress, defence savings mean reducing forces in Europe. He compares the mood to 1945. The Cold War is felt to have been won. "There is a strong tendency in the US when the war is won to bring the boys home."

However, there is "no danger" of unilateral reductions. The US has repeatedly tried to reassure allies that it will not act on its own, without consulting them. The main Nato countries have been desperate to hold the line, to be seen to be acting in unison in response to events in the Warsaw Pact, and to work for a controlled arms reduction, not helter-skelter disarmament that any country later would be free to reverse.

The problem is this: political change in central Europe has been *so enormous that the laid-down* goals of arms control now risk appearing modest to Western publics. The Conventional Forces in Europe negotiations between the members of both military alliances are on course towards a treaty this autumn. The aim is that the treaty should be both verifiable and permanent. If it succeeds, it will flatten out the main disparities in attacking potential that have worried Nato for decades. But it will reduce Nato's own holdings of these weapons by 15 per cent at most.

Nato is becoming more concerned, *not so much about* the ceilings being discussed in Vienna (most of which are now broadly agreed with the Warsaw Pact) as about the absence of floors. While the US feels constrained to hold off big cuts in Europe while the negotiations are still going on, some of Nato's smaller members have been showing signs of impatience: Belgium with its announcement last week that it was thinking about



pulling its 26,000 troops out of West Germany, and the Netherlands with *specific plans for* reducing its smaller German-based force.

After edgy reactions from other allies, both countries have since attempted to repair the damage caused by the impression of unilateral decisions in a race to cash in "peace dividends." But a two-speed Nato of fast and slow disarmers already seems to be emerging.

The West German position in this is not simple. It is overwhelmingly the most militarised country of western Europe. Its active forces, *even when they are* slimmed down as planned from 490,000 to 400,000, will still be one third larger than Britain's, and it currently has a further 400,000 soldiers and airmen from six allied countries on its territory. Anxiety to maintain Nato "forward defence," which has been a vital consideration for West Germans' *sense of security*, now has to be set against the prospect of German reunification, which appears to be conditional on at least partial demilitarisation.

How a unified Germany would fit into the security structure, up to now neatly defined by two alliances, is the great conundrum in any attempt to read Nato's future. Military chiefs recognise the plausibility of looser German ties to Nato, and the utter implausibility of applying "forward defence" up to the East German-Polish frontier. They are barely willing to ponder the implications for the strategies within which they have worked up to now.

However, a top West German official invited to a Nato Northern Region think-in in Kiel last week was emphatic that there would be a "continuing strategic requirement" for a "substantial" presence of US forces on the continent. But he said "our continent" and not "this country," and his audience of senior officers did not miss the distinction.

The difficulty for Nato is how to get off the hook of having US and other stationed forces equated with Soviet forces in eastern Europe. Mr Bush's proposal last year for withdrawal of 30,000 army and air force troops made just such an equation by demanding that that Moscow reduce its forces in eastern Europe to match US forces in Nato.

It may have seemed at the time a tall order for the Russians. It meant cutting their stationed forces in the Warsaw Pact by half. But Moscow, already withdrawing units, now faces demands from Czechoslovakia and *Hungary*, as well as from Poland's Solidarity leader Mr Lech Walesa, to pull out completely this year or next. That would leave only East Germany, where about 350,000 *Soviet troops now remain; they* could scarcely do without forces in Poland to protect supply lines.

The Russians have started stepping up pressure on Nato. Mr Oleg Grinevsky, chief Soviet negotiator in Vienna, said this week that Moscow would be willing to pull everybody back in five years if the US and its allies did the same. In Nato, this is seen as an attempt to win concessions in exchange for an otherwise ignominious Soviet departure.

Initially, Nato did not propose discussing troop levels at all in the *Vienna talks, after 15 fruitless years* talking about them in the Mutual and Balanced Force Reduction (MBFR). Britain and France have insisted that their stationed forces in West Germany, totalling 120,000, be excluded from negotiation, and want a pause after a Vienna treaty before embarking on further cuts. But at The Hague-based Technical Centre that reports to Supreme Headquarters Allied Powers Europe, studies are already under way on the next stage, and the stage after that, with British and French participation. These stages *would affect their* stationed troops as well as those of the US.

Nato allies in Europe, including those without US forces, cite both strategic and political reasons for keeping a significant US presence, to demonstrate a broad community of purpose and to ensure that Americans, in contrast to the experience of two world wars, would be engaged from the outset in any conflict.

The complication attached to that is the US insistence on maintaining the back-up of European-based nuclear weapons. Nato's row over whether to order new US short-range missiles was pushed under the carpet last year. A senior US military officer in Nato says it would "not be useful" to re-open the issue until it comes up for a decision in 1992.

Accepting nuclear weapons is seen in the US as part of "burden-sharing." Any impression that allies are failing in their solidarity will increase the pressure for troop cuts – pressure that surfaced, but was resisted, during the Reagan Administration.

The whole justification for stationed forces has been called into question by recently publicised estimates of the warning-time Nato would have before a Soviet offensive – according to different sources 33 or 45 days, instead of the previous estimate of one to two weeks: *ample time, therefore, to* ferry in reinforcements. The senior US officer quoted above puts the figure much lower, at 17 to 18 days, argues that there would be early moves to interdict Nato reinforcements by sea, and that the more likely conflict scenario would be a local flare-up getting out of control rather than a planned mass offensive.

Nato's problem is how to get off the hook of having US and other stationed forces equated with Soviet forces in eastern Europe

He urges Nato to maintain "a professional view" of Soviet military capability. Moscow will keep an offensive capacity for some years to come. "It's not all over," he says. *But the message from Washington* is that the Europeans themselves will need to take a greater share of responsibility for facing that residual threat.

An assessment produced last summer by the Department of Defense and the US intelligence community came to this telling conclusion: "Europe will continue to be our most perplexing defence problem – politically, militarily and economically . . . The future will require new and imaginative thinking . . . What the US cannot do in a constrained fiscal climate is to be strong everywhere."

LAND-BASED forces are one thing; naval power is another. That, at least, is the stance the US and its allies are trying to maintain. Arms control at sea, the one place they have a clear military advantage, is not on their agenda. Proposed US troop withdrawals leave out the Sixth Fleet in the Mediterranean and other naval units. The only naval base among the facilities slated for cuts this week is a communications station in Greece.

The argument is simple. Nato has its back to the ocean and has to protect its sea-lanes. Reinforcements have to cross 3,000 miles of Atlantic. Soviet reinforcements have a few hundred miles of solid ground with good *communications to cover.*

But can the US and Nato continue to resist pressure for negotiated reductions? The US-Soviet strategic arms talks in Geneva (START) already include long-range ballistic missiles from submarines. The current Vienna negotiations on conventional forces *specifically exclude navies, but* Moscow continues to insist on discussions, especially on naval arms that could be used to support a land campaign, such as *aircraft-carriers.*

Some in Nato are beginning to argue that the West should take the initiative rather than be pushed into naval cuts. Admiral William Crowe, until recently chairman of the US Joint Chiefs of Staff, has proposed that the US should consider negotiating tactical *nuclear weapons on ships, or naval* reductions in exchange for Soviet concessions on strategic weapons.

The US resists inclusion of sea-launched nuclear cruise *missiles* in the START limits, arguing that no means has been found to verify them. But another reason is that limits would inhibit the US Navy's ability to deploy conventionally-armed cruise missiles. This, one official said, would "seriously undermine" its role in the northern Nato area. *Norwegian military chiefs for their* part are worried about a possible US-Soviet trade-off, which they say would not be in Norway's interest.

The paradox is that by refusing to bring navies into arms control, Nato is opening itself to naval reductions. This is one area where members can now cut back on equipment numbers without affecting negotiations.

LETTERS

Federal forms and the European Community

From Mr Christopher Jackson MEP.

Sir, Your editorial comment ("Europe whole and free," January 29) says Mr Delors is unwise to use the word "federation" in connection with the future of the European Community. You may well be right from a purely British point of view, because there is huge and widespread misunderstanding in Britain about what "federal" means. But your arguments would not be understood across the Channel. May I therefore attempt to define some of the terms for the forthcoming debate about European Union in which clarity will be essential?

If a collection of countries has some form of common governance this will lie on a spectrum which stretches from a unitary state (such as the United Kingdom in relation to England, Scotland etc) in which all power in the end lies at the centre, to a confederation in which all the power lies with the individual countries and none at the centre. The spectrum between is of differing degrees of federation in which defined powers rest respectively at the centre and with the countries/states – and which neither party may take unilaterally from the other.

The federal power may be weak or strong: for example the US has relatively strong central powers, while in Switzerland much power rests with the cantons.

"Subsidiarity" is simply a test for determining which powers should be exercised at which level. It means that the central power shall only act in matters more effectively carried out in common than by the constituent states separately. It is a common-sense idea for keeping unnecessary centralisation at bay.

The EC, rightly described as *sui generis*, has both federal and confederal characteristics. For example, under the Single European Act many decisions are reached by majority vote. Other important decisions are taken unanimously, in a confederal pattern. However, once a law is passed, whether unanimously or by majority vote, no country may unilaterally undo that law and its own courts are bound to uphold it. This too is federal in nature. Overall the EC may be described as partly and weakly federal, partly confederal. Most power clearly lies with the member states.

Britain could choose to leave the EC, but while remaining a member, as it surely will, it belongs to a Community with clear federal elements. Perhaps we should call it a "voluntary federation?"

Much further across the spectrum the EC would become a federal state only if in addition to significant federal civilian power it possessed military power and became the main authority for foreign relations – something not on any current agenda.

A confederal solution seems to me to have its attractions as a form of association for the outer rim of the EC, for those countries participating in the European economic area but stopping short of full membership and short of any real say in the decisions of the Community.

Britain's decision must rest on the interests of Britain's citizens. Is it or not in our interest as citizens to go further in integrating the EC? Looking at the attractions of monetary union. I for one think the broad answer, subject to subsidiarity, is clear, even if the detail is not.

Christopher Jackson MEP,
8 Wellmeade Drive,
Sevenoaks, Kent

Manchester City Council and the poll tax

From Mr Graham Stringer.

Sir, You reported (*Manchester's proposed poll tax attacked*, January 23) that Manchester could expect a £733-a-head poll tax in 1990/91 and that a charge of £400-plus *would be needed to achieve a* standstill budget. Wrong, and wrong.

The £733-a-head charge is the figure which, the City Treasurer reports, would be required next year just to maintain services at their 1989/90 level. This monstrous figure has been created by government manipulation of financial support, notably by defrauding the city council of £104m via distribution of income from the new unified business rate.

Having done this, the Gov*ernment showed its malicious* sense of humour by declaring Manchester an authority which would benefit greatly from the introduction of poll tax and ordering its deprived residents to pay £71 each next year to ease the burden of poll tax on suffering constituencies!

You mentioned the city council's so-called creative accountancy schemes. To be fair, you should have mentioned that they have benefited Manchester residents enormously, bringing more than *£100m of extra funding to the* city during the past four years. This enabled the council to protect jobs and services which, unhappily, are now threatened by the corrosive poll tax.

The suggestion that Labour-controlled Manchester City Council would introduce a £700-plus poll tax is clearly unfounded. The council has made it clear by resolution that such an increase would be unacceptable and has explained publicly that it is looking at a figure between £399 and £450. That will mean the loss of more than 2,000 jobs and the services that go with them.

Graham Stringer,
Leader of the Council,
Manchester City Council,
Town Hall, Manchester

An adviser's model answer to the question of mortgage relief

From Mr Philip Chappell.

Sir, *Giles* Keating ("Right answers for the job," January 25) cross-examines one candidate aspiring to the role of special economic adviser, but he has failed to notice the key point. In the 1970s the economists changed the questions and left the answers unaltered, and vice versa in the 1980s. In the 1990s the New Economic Enlightenment changes both the question and the answers.

The candidate fell into the trap of giving a straightforward answer to an apparently simple question; a response which would disqualify him, or her, from politics for ever. The model answer to the question: "Why raise the limit for mortgage relief?" is rather more forthright. Thus:

"Prime Minister, the sole purpose of taxation should be to raise revenue, not to engage in the whims of social engineering. Every fiscal commentator has shown that the best intentions of all governments in handing out tax reliefs end up with almost exactly the opposite effects to those intended. We now have an absurd system of taxes on income where Mr Average, paying income tax at 25 per cent and National Insurance at 9 per cent, is not only paying a higher marginal rate of 34 per cent, but also (at 23 per cent) a higher average rate than his boss.

"Cocooning the boss with mortgage relief, share options, free pension contributions, cars, opera seats, and the Business Expansion Scheme, gives him a 50 per cent uplift to his total income, and reduces his average rate to 15 per cent. So scrap the lot – scrap all privileges, perks, and allowances, integrate National Insurance, and raise the same revenue through a single, flat-rate tax on income of 17¼ per cent.

"Your friends in Hong Hong would feel more at home in an economic environment which offers a genuinely level fiscal playing field. You would soon be able to lower interest rates by at least 1 per cent, worth more to most mortgage payers than an increase in the limit to £40,000.

"May I please go now," he adds on his way to the door, "the economy will be so successful that you will have no need for a special adviser. Along with 99,999 accountants and tax inspectors who will be made redundant, I shall have to do something more productive. I need to get down to the JobCentre before the rush."

Perhaps that is why John Major's interview was ambiguous about mortgage relief.

Philip Chappell,
22 Frognal Lane, NW3

FINANCIAL TIMES
Thursday February 1 1990

EXECUTIVE SEARCH COMPANIES

Survey criticises European headhunters

By Simon Holberton in London

WIDESPREAD dissatisfaction with the services provided by executive search companies was revealed yesterday in a detailed analysis of their business in Europe.

The study, by The Economist Publications, interviewed 300 companies which had used headhunters and found that more than half felt executive search was less than 60 per cent effective as a recruitment method over the medium term.

The study also ranked the major European consultancies in order of turnover – the top four were Goddard Kay Rogers, Norman Broadbent, Egon Zehnder and Russell Reynolds. Egon Zehnder, the Swiss multinational, was top earner by a wide margin.

EUROPEAN REVENUES 1988-89

Company	Rank	Revenue ($m)
Egon Zehnder	1	54.7*
Spencer Stuart	2	27.1
Russell Reynolds	3	26.5
Berndtson	4	24.7
Ward Howell	5	21.5
Korn/Ferry	6	21.3
Carré Orban	7	21.0†
Neumann	8	20.2
Heidrick and Struggles	9	17.6
Eurosearch/N Broadbent	10	16.6♠
AMROP	11	16.3
TASA	12	15.5
Boyden	13	9.1

Notes: *includes non-search work; †gross revenue when other services included $23.8m; ♠ estimate to end 1989, including non-search work. Source: Economist.

The study predicted a downturn in the market for executive recruitment in the early 1990s. It said this implied a shrinkage in corporate personnel departments, leading companies to recruit through outside consultants.

But the study warned companies that using headhunters was fraught with difficulties. It said European legislation gave clients no protection or control, the simple "look-and-find" method of recruitment rarely worked, shortlists of candidates often failed and assignments could take up to six months.

It also warned potential users of executive search agencies to pay close attention to the "off limits" problem. "Headhunters cannot look for potential candidates inside companies which are existing clients."

The study found that clients felt that many search firms made insufficient effort and failed to understand their needs, while it also found that they themselves had little comprehension of what the search process involved.

It predicted a trend towards greater openness in the executive search business - executive search companies were having to face up to the challenge posed by the liberalisation currently under way in Europe.

"Firms trying to reorganise for Europe have yet to face up to basic problems such as trans-border fee splitting, diluted client-consultant relationships in international assignments, reduced accountability between network members, and poor co-ordination of client lists and information."

Executive Search and the European Recruitment Market, The Economist Publications, 40 Duke St, London W1A 1DW. £99 ($161).

Fuji Bank to open finance arm in Hungary

By Stefan Wagstyl in Tokyo

FUJI BANK will become the first Japanese bank to establish an eastern European presence following the collapse of one-party Communist rule.

Heller Group, a US subsidiary of Fuji, is establishing a finance company in Hungary this summer in partnership with a Hungarian and Austrian bank.

Other Japanese banks are expected to follow Fuji, including the Bank of Tokyo which plans to open an office in East Berlin, probably this year.

However, the banks are generally cautious about making large investments of their own capital in the east.

Mitsubishi Bank and Tokai Bank are establishing offices in Vienna. Sanwa Bank will cover the region from West Germany and study various ways of setting up a network further east.

Fuji Bank believes that the opportunities for business in Hungary will be very good since economic change is now firmly in progress even though the country's politics may still be unstable. The Hungarian company will specialise in trade finance and apply strict credit controls.

Fuji, through Heller, will have a 30 per cent stake in the venture, which will be capitalised at 1bn forints ($17m).

The other partners are Hungary Credit Bank, the country's biggest commercial bank, and Oesterreichische Volks Banken of Austria, each with 30 per cent and local industrial companies with 10 per cent between them.

Heller was invited to join the venture because it has a long-standing co-operation pact in Austria with Oesterreichische Volks Banken.

In Hungary, more than 300 joint ventures with foreign companies were registered last year, following the Hungarian Government's decision to approve the establishment of companies with 100 per cent private capital and those with 100 per cent foreign capital.

The new venture could help to ease shortages of short-term funds by providing services, including equipment leasing and export factoring, to export-minded businesses in Hungary.

Heller, which was acquired by Fuji in 1984, operates in 14 countries outside the US. In 1988 it completed $9.9bn of international deals.

Nippon Glaxo chief joins UK main board

Mr Hiroshi Konishi (right) has become a main-board executive director of Glaxo, Britain's largest drugs group, a move thought to be the first of its kind by a big UK industrial organisation. Mr Konishi, 47, is head of the company's Japanese joint-venture Nippon Glaxo. The appointment, writes Peter Marsh in London, also demonstrates the growing importance of the Far East for the western pharmaceuticals and chemicals industry. Report, Page 8

Tougher rules upset Luxembourg bankers

By Tim Dickson in Brussels

BANKERS in Luxembourg are objecting to tough new rules introduced last year in the wake of the Bank of Credit and Commerce International money-laundering affair.

The Grand Duchy's 150-member banking association (the ABBL) has written a sharply worded protest to the Luxembourg Monetary Institute demanding clarification of some passages in a confidential circular sent to the banks last November.

Designed as an explanatory memorandum following the amended law on drug trafficking passed by parliament in July, the circular points out that criminal penalties will be applied not only to those "who have knowingly committed" an offence but also to those who, "by failing to appreciate their professional obligations have contributed to any operation of placing, concealment or conversion of the proceeds of an infringement of the legislation regulating the sale of drugs."

In particular, the institute says, banks must check the identity of the "actual economic beneficiaries" of legal entities such as holding companies which could act as a screen. It says that if this causes problems, the banks should "refrain from entering into a business relationship," and that adequate procedures of internal control must be put into place and details communicated to the authorities.

Many bankers are angry that the institute appeared to frame its approach to the problem without any formal consultation, that the net has been drawn too widely in interpreting bankers' responsibities, and that criminal penalties (including imprisonment) for those unknowingly contributing to drug money-laundering are too harsh.

Local accountants are also thought to be worried about the extent of their personal liability in view of the institute's instruction that their mandate from banks includes the task of checking the adequacy and proper application of banks' internal procedures.

Bankers deny charge, Page 5

Siemens wins UK gas power station order

By Maurice Samuelson in London

SIEMENS of West Germany has been chosen to build the first big non-nuclear power station ordered in Britain for more than a decade.

The order, worth about £350m ($570m), is for a 900MW plant at Killingholme, Humberside, in the north of England, designed to run on North Sea natural gas.

By securing the contract, Siemens has broken the historic domination of the UK power plant market by domestic companies such as General Electric Company, Northern Engineering Industries and Babcock Power.

Its breakthrough follows last year's abandonment by the CEGB of plans for three conventional coal-fired power stations.

The Killingholme plant is among a string of gas-fired stations proposed by the electricity industry and reflects the growing attractiveness of gas, rather than conventional coal burners, on environmental and economic grounds.

ABB, the Swedish-Swiss engineering combine, is to equip a smaller gas power station at Roosecote, near Morecambe Bay, north-west England planned by its 80 per cent subsidiary Lakeland Power.

The Killingholme station is to be built for PowerGen, one of the two generating companies to be formed from the Central Electricity Generating Board after privatisation of the UK electricity industry. A similar station is planned there by National Power, the larger CEGB successor company.

Mr Ed Wallis, PowerGen's chief executive, said yesterday that the choice of Siemens reflected that UK companies had lagged behind in developing the kind of gas burners needed at Killingholme.

These are high efficiency combined cycle machines, in which waste heat from the primary gas turbine is used to raise steam for a secondary turbine.

Mr Wallis said the project, which is the biggest non-nuclear station ordered since the Labour Government ordered the Drax "B" coal station in Yorkshire in the 1970s, was "good news for the environment." Work would begin this month.

Bonn nears victory on Airbus assembly

By Guy de Jonquières in London and David Marsh in Bonn

WEST GERMANY appears close to winning its hard-fought campaign to persuade its partners in the European Airbus consortium to set up a final assembly line for the aircraft in the federal republic.

Mr Erich Riedl, the state secretary at the Bonn economics ministry responsible for aerospace, has already claimed victory, saying that the way was now clear for larger passenger aircraft to be built in West Germany for the first time since 1945.

After Tuesday's meeting of Airbus ministers in Madrid, Mr Riedl was quoted as saying that the three other members of the Airbus consortium had agreed that its planned A321 model should be assembled in Hamburg at a plant owned by Messerschmitt-Bolköw-Blohm (MBB), the West German Airbus partner.

However, tough bargaining is expected over the financing of the proposal, which several of the other Airbus partners say will add to the programme's costs. They are expected to press MBB, which is controlled by Daimler-Benz, to cover any extra costs out of its own pocket.

At present, all Airbuses are assembled in Toulouse, south-west France, from sections produced by the Airbus partners at plants scattered around Europe. Apart from MBB, the partners are Aérospatiale of France, British Aerospace and Casa of Spain.

Chancellor Helmut Kohl of West Germany has pressed his country's demands for an assembly line in bilateral meetings with President François Mitterrand of France. Until now, the French government has resisted strongly, arguing that the proposed change would be inefficient and disrupt production.

The planned A321 is a "stretched" version of the A320, the best-selling Airbus model.

France, with some backing from the British and Spanish, has insisted that the most economic solution would be to assemble the A321 in Toulouse, alongside the A320 production line.

However, the Germans appear to have prevailed at a recent meeting of the Airbus supervisory board, which agreed in principle that all the consortium's future models should be assembled and "customised" (fitted out) at the same location.

This formula appears intended to provide for A321 assembly in Hamburg, where MBB currently customises all the Airbus models before delivery. In return, Airbus's planned A330/340 range of larger aircraft would be fitted out in Toulouse, where they are due to be assembled.

A final decision on the proposed assembly arrangements is expected on February 23, when the Airbus supervisory board is due to discuss a report on the financial and management implications.

THE LEX COLUMN

Shearson draws on its credit card

It is hard to remember such a grim period on Wall Street. Merrill Lynch has made its first annual loss as a quoted company: other famous names are suffering from unnaturally large exposures to a US junk bond market where liquidity has almost dried up: and now confidence in Shearson Lehman has sunk to such a low ebb that American Express, its biggest shareholder, has had to replace the chief executive and underwrite a badly needed equity issue. But if all this results in the long overdue shakeout in capacity and a restoration of some sanity in deal-making, some good may emerge.

Shearson's problems are more extreme than most. It grew rapidly by swallowing down-at-heel brokerage firms and using its excess back office capacity to eliminate costs. But once trading volumes began to shrink and it had to engage in ever riskier ventures to generate fee income, it ran into problems. The acquisition of E.F. Hutton had badly dented its capital ratios; at the beginning of last year a business with assets of $85bn had negative tangible net worth. Although this has since improved, Shearson relies so heavily on the money markets to finance its huge trading positions that it could not face the real risk of having its credit ratings downgraded.

American Express, nervous about its own credit ratings, is anxious to reduce its stake. In happier times it should have had little difficulty finding a friendly Japanese investor to help out. But the average net return of Wall Street firms is little more than 5 per cent; and while there must be some recovery potential, it is not obvious that Shearson will be a long-term winner unless it can pump more business through its heavy fixed cost structure. Its' new chief executive is hardly the most obvious choice and its majority shareholder wants to dump as much as a quarter of Shearson's equity on its own shareholders. Paying 10 times earnings for Shearson is a considerable act of faith. But then so is investing in most Wall Street firms.

Takeover barriers

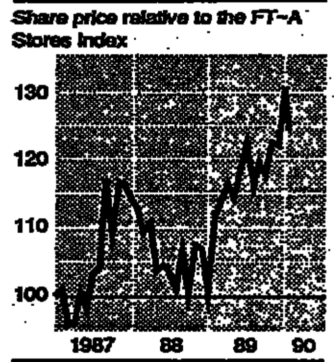
There is something impressively cheeky about the Japanese stockbroker Yamaichi producing a study of UK barriers against takeover. But it is a useful reminder against complacency; of the 100 stocks in the FT-SE, Yamaichi reckons 14 are largely protected by family or trust holdings, nine by golden shares and seven by the Banking Act – nearly a third in total.

This pales by comparison not only with Japan, but with Britain's neighbours in the EC. In Italy, by one recent estimate, of over 200 listed companies only seven have the majority of their shares in public hands, and five of those are reckoned to be family controlled anyway. The two countries which regularly deploy artificial barriers to takeover, West Germany and the Netherlands, are the only two whose companies are remotely vulnerable in the first place.

This may not matter much in practice. It is not easy to prove that protected companies always stand at a stock market discount; as for reciprocity, a recent study by Coopers & Lybrand showed UK companies spending more on acquisitions elsewhere in the EC than vice versa. But while the UK Government doubtless has a case in pressing for a more level playing field in EC takeovers, it should recall that most protected big companies in the UK are safeguarded not by management but by the Government itself.

W H Smith

Share price relative to the FT-A Stores index



W.H. Smith

For a company with a conservative image, W.H. Smith is obviously not averse to a gamble. The television business may not be losing as much as Sky; but adding in interest, it cost Smith £8m in the first half, compared with £35.1m of pre-tax profits. The long term attraction is the potential cash flow if the channels can attract enough viewers and advertisers. But the company's willingness to gear up and fund two transponders on the Astra satellite at a time of high interest rates must owe much to its protective shareholder structure.

Nevertheless, it is reassuring that most of Smith's retailing operations are performing so well. Consumers trading down to low ticket items may have helped sales in W.H. Smith itself, which were up 5 per cent in volume. But Smith is also well positioned in two of the last remaining booming consumer markets – compact discs and videos. The problem spots are travel, which is still losing money and is unlikely to improve much in 1990: and Do-It-All, where even the reduced profits of £5.1m included £1.3m of cash incentive from eager property developers. Such is the concentration of big players in the DIY market that one wonders how long Smith will persevere.

The company presents this year as a minor setback in the long transformation from sober stationer to go-ahead media and retailing group. Although the 80 per cent increase in the interest charge must have alarmed them, shareholders seem content to accept Smith's argument, judging by yesterday's mere 4p fall in the share price to 317p.

Colonnade

It is hard to blame such as Legal & General for having promptly taken the money when a little-known predator called Strategem offered 163p each for their shares in Colonnade. Little Colonnade may be – a small British & Commonwealth-managed venture-capital fund with net assets of just over £10m, even on an optimistic valuation – the returns have been a lot smaller.

Formed in February 1984, with 4m shares privately placed at 105p, Colonnade has delivered dividends totalling a mere 6.8p per share; and before Strategem's arrival, shareholders were looking at a capital gain of just 33p. Add the fact that 36 per cent of it is owned by three local authority pension funds, who have been in since the beginning. Given, too, the nasty row when Colonnade's management had to scrap an over-hasty reorganisation plan last December, one can see why Stratagem is already near victory.

The wider question though is what to do generally when an investment trust's shareholders are fed up to the back teeth with management. Strategem's plan – takeover and liquidation – is not ideal. An investment trust with a full listing has a value just as an ongoing legal vehicle, and that value is going to get lost.

Gorbachev denies resignation reports

Continued from Page 1

lysts say.

The outcome of the meeting is still far too close to call. Mr Gorbachev is facing a conservative majority deeply concerned at the signs of disintegrating Communist Party authority in the country, and the threat that full-time party officials may be humiliated in forthcoming local elections.

However, few believe that the Soviet leader's own position is in doubt, although many reformers fear that he will be forced to make significant concessions

Mr Gorbachev confirmed that the political debate was at a critical stage, with the Communist Party's ruling body being asked to decide on a new policy platform and new party rules.

That means tackling the questions of the party monopoly on power – Article 6 of the Soviet constitution – and the old Leninist principle of democratic centralism, severely limiting genuine debate.

Party conservatives, including many of the powerful regional party bosses and bureaucrats who still dominate the central committee, have been closing ranks, to slow down, if not halt, the pace of reform on all those issues.

The conservatives are under radical pressure from the grassroots, shown most dramatically by the sacking of three authoritarian regional party secretaries in recent weeks.

Soviet television on Tuesday night showed pictures of a mass rally in Volgograd demanding the removal of the entire party leadership in the region, following the departure of Mr Vladimir Kalashnikov. By the end of the day, the whole party bureau had also resigned.

The same happened recently in the large Siberian region of Tyumen, the largest producer of oil and gas in the country.

Mr Gorbachev's problem is that even when conservative provincial leaders have been overthrown, they still keep their places on the central committee, with full voting rights. He can only seek to call their bluff by insisting that they will all stand to lose their jobs if they block his reforms.

In the long run, he may well be tempted by the thought of switching from party leader to executive president – especially if the party continues to be discredited.

WORLD WEATHER

		°C	°F
Ajaccio	S	16	61
Algiers	F	19	66
Amsterdam	R	11	52
Athens	C	14	57
Bahrain	S	16	61
Bangkok	F	33	91
Barcelona	S	14	57
Beirut		–	–
Belfast	S	6	43
Belgrade	S	15	59
Berlin	C	9	48
Biarritz	F	14	57
Bombay	S	31	88
Bordeaux	F	11	52
Brussels	C	11	52
Budapest	C	7	45
B. Aires	F	33	91
Cairo	S	19	66
Cape Town	C	21	70
Caracas	R	26	79
Casablanca	F	17	63
Chicago	S	-9	16
Cologne	C	10	50
Copenhagen	C	6	43
Corfu	S	19	66
Dallas	S	6	43
Dublin	S	8	46

		°C	°F
Dubrovnik	S	14	57
Edinburgh	S	7	45
Faro	F	16	61
Florence	S	12	54
Frankfurt	S	11	52
Funchal	S	19	66
Geneva	C	6	43
Gibraltar	C	14	57
Glasgow	S	8	46
Guernsey	R	8	46
Helsinki	R	1	34
H. Kong	C	13	55
Innsbruck	F	7	45
Inverness	F	7	45
Islamabad	F	21	70
Istanbul	F	11	52
Jakarta		–	–
Jersey	R	8	46
Jo'burg	F	24	75
Lima		–	–
Lisbon	R	9	48
London	C	9	48
Los Angeles	S	11	52
Luxembourg	C	7	45
Madrid	F	9	48
Majorca	F	16	61
Malaga	R	15	59

		°C	°F
Malta	S	16	61
Manchester	F	6	43
Manila	F	31	88
Melbourne	C	18	64
Mexico City	F	23	73
Miami	S	22	72
Milan	C	9	48
Montreal	S	-5	23
Moscow	C	1	34
Munich	S	8	46
Nairobi		–	–
Naples	S	16	61
Nassau		–	–
New Delhi	S	20	68
New York	S	0	32
Nice	S	14	57
Nicosia	S	18	64
Oporto	C	11	52
Oslo	R	7	45
Paris	S	12	54
Peking	S	-3	27
Prague	Fg	1	34
Reykjavik	F	4	39

		°C	°F
Rhodes	R	15	59
Rio de J'o	S	38	101
Rome	S	15	59
Salzburg	S	12	54
San Francisco	S	7	45
Seoul	Sn	0	32
Singapore	F	31	88
Stockholm	C	5	41
Strasbourg	S	12	54
Sydney	F	27	81
Taipei	R	19	66
Tangier	C	13	55
Tel Aviv	S	20	68
Tenerife	S	19	66
Tokyo	Sn	2	36
Toronto	S	-3	27
Tunis	F	18	64
Valencia	F	15	59
Venice	C	10	50
Vienna	Fg	4	39
Warsaw	Fg	2	36
Washington	S	2	36
Zurich	S	5	41

Readings at mid-day yesterday

C-Cloudy Dr-Drizzle F-Fair Fg-Fog H-Hail R-Rain S-Sun Sl-Sleet Sn-Snow T-Thunder

Key South African reforms unlikely

Continued from Page 1

● The easing of restrictions on media reporting from South Africa. Other state of emergency restrictions would remain in place, to cope with continuing fighting between rival black factions in Natal.

● The lifting of restrictions on the United Democratic Front, a leading anti-apartheid coalition formed in 1983, and perhaps other organisations.

● Further details will be given on plans to abolish petty apartheid through the repeal of the Separate Amenities Act.

● A statement of intent to lift the ban on the ANC, if certain conditions are met by the movement. It had been hoped that Mr de Klerk would lift the ban tomorrow, but recent ANC statements calling for intensification of military action against Pretoria have disappointed the Government, and delayed plans for legalising the organisation.

The Government is demanding an unambiguous statement of the ANC's commitment to peaceful resolution of South Africa's problems through negotiation.

● In a surprise announcement, Justice Minister Kobie Coetsee said yesterday the government would appoint a judicial inquiry into allegations that police hit squads carried out a series of murders of anti-apartheid activists. Former policeman Butana Nofemela has alleged that he had been part of a police death squad.

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COMPANIES & MARKETS
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INSIDE

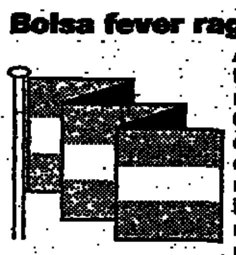
Enter the season of no goodwill

The scene is set for a fierce debate between industry and setters of accounting standards. Despite intense opposition from finance directors of leading companies, the Accounting Standards Committee is today expected to issue its draft rules on accounting for goodwill and brands. It will no longer be permissible to write off goodwill against reserves: reported earnings will fall and many companies argue that the market will mark down their share prices. David Waller reports. Page 24

A pile of junk

The latest drop in US junk bond prices, triggered by the news last Friday that Moody's had downgraded $19.5bn of RJR Nabisco debt, could be a serious blow to some insurance companies and thrifts known to be sitting on huge holdings of some of the "junkiest" high-yield bonds. Janet Bush reports. Page 22

Bolsa fever rages



Argentina's rampant inflation has not prevented the relatively small Bolsa de Comercio in Buenos Aires outperforming nearly all other emerging stock markets in 1989, registering an average real return for investors of 216 per cent. Although the country's volatile political and economic climate can cause dramatic equity downturns, emerging market funds are falling over each other to move into Argentina, writes Gary Mead. Page 38

The feeding of the 10m

Algeria's oil boom of the 1970s, when the state appropriated vast tracts of private land, resulted in the country's growing inability to feed its 10m people. Even though the state sold off most of the 3,240 farms it owned in 1988, rapid population growth, a rise in living standards and the worst drought in 30 years have boosted the food import bill further. Increasing the production of cereals, meat and dairy products is proving an arduous affair. Page 26

Jeckeying for position

Overseas expansion is the only goal left to France's two leading cement producers. Having fought each other to a standstill in their domestic market, of which each has around a one-third share, both Ciments Français and Lafarge Coppée (logo, above) have been on the acquisition trail over the past year. Page 18

Market Statistics

Companies in this section

Chief price changes yesterday

FRANKFURT (DM)							
Rises				Ecco	469.9	+	29.5
BASF	311	+	3.7	Leroy Somer	2067	+	69.2
BHF Bank	455	+	15	**Falls**			
Bayer	319.8	+	5.3	Cataleu	528	−	24.8
Deutsche Bk	814.5	+	2.5	Eurafrance	2250	−	108.5
Siemens	324.5	+	2	Sagem	1436	−	51.1
Volkswagen	553.1	+	12.1	**TOKYO (Yen)**			
NEW YORK ($)				**Rises**			
Rises				Marubachi Ware	1790	+	200
GW Utilities	28⅜	+	10⅜	Nihon Sugar	1050	+	105
MCI Comms	32½	+	1¼	Daidi Elect	1590	+	160
Reebok Intl	16	+	1½	Showa Aircraft	4150	+	500
Falls				Tobu Store	2100	+	300
Commodore Intl	6⅜	−	½	**Falls**			
Dow Chemical	64	−	1½	Shin Nippon	1650	−	130
Mentor Graphics	15⅝	−	2⅛				
PARIS (FFr)							
Rises							
Bafip	380	+	12.9				
LONDON (Pence)							
Rises				Sun Life	1375	+	2
AIM	230	+	10	Utd Newspapers	416	+	10
Brit Pet	341	+	7	**Falls**			
Brit Tele	307	+	5	Fosaco	285	−	7
Clayform Props	238	+	15	Helical Bar	275	−	7
Enterprise Oil	663	+	15	Horne (R)	393	−	12
GRE	256	+	8	Laing Props	574	−	21
LASMO	629	+	19	Sears	99	−	3½
Mountleigh	160	+	7	Smith (W.H.) A	317	−	4
STC	258	+	8	Unitech	372	−	11
Scott & New	334	+	4				
Shell Trans	484	+	13				

Lorenzo 'losing control of Eastern'

By Anatole Kaletsky in New York

EASTERN AIR LINES, the rapidly shrinking US air carrier which was put into bankruptcy last year in a successful effort to defeat its labour unions, seemed yesterday to be slipping out of the control of Mr Frank Lorenzo, its pugnacious chairman.

According to documents filed this week in the US bankruptcy courts, at least one of Eastern's shareholder committees has withdrawn its support for Mr Lorenzo's efforts to steer his airline out of bankruptcy.

Other committees, representing unsecured creditors, are also believed to be considering outright rejection of the reorganisation proposals submitted by Mr Lorenzo to the bankruptcy court last week.

If Eastern's creditors and preferred shareholders succeeded in blocking the company's latest reorganisation plan, a liquidation or sale of the airline would be the most likely alternative.

Not only would it shatter Mr Lorenzo's hopes of rebuilding Texas Air into the biggest airline holding company in the US, but it would almost certainly leave Texas Air shareholders with nothing to show for the $2bn they have pumped into Eastern since Mr Lorenzo bought it in 1986.

Last November Mr Lorenzo won a grudging respect for his use of the bankruptcy weapon when Eastern's pilots' union abruptly gave up their six-month battle against the management's labour concession demands.

But Mr Lorenzo may turn out to have won only a pyrrhic victory over the unions if creditors now decide to wrest control of the airline away from Texas Air.

The possibility that creditors would try to do this emerged last week after Eastern filed a reorganisation plan that offered unsecured creditors only 40 per cent repayment of their claims, instead of the 100 per cent originally promised.

At the same time, Mr Lorenzo audaciously proposed that Texas Air should keep 60 per cent of Eastern's equity, offering only 40 per cent to the creditors in compensation for their unpaid debts.

In this week's court filings, the preferred shareholders' committee formally said that it had withdrawn its support for Eastern's management, which had proved itself "unable to make the airline work."

It called for "dramatic steps" to salvage value for creditors from the bankrupt enterprise, including possible liquidation of assets or an outright sale.

Early last year Mr Lorenzo rejected several offers to buy Eastern as a going concern, claiming that he could provide better value for creditors. His position was backed at the time by creditors and the bankruptcy court. However, since then Eastern's operations have continued to deteriorate.

The creditor committees, which will ultimately have a bigger say in the bankruptcy than the preferred shareholders, have not yet publicly responded to the Eastern reorganisation plan.

But they are known to have asked their bankers and accountants to draw up alternative proposals.

Saab 'in profit by end of next year'

By Robert Taylor in Stockholm

THE NEW Saab Automobile company – owned jointly by General Motors and Saab-Scania of Sweden – hopes to make a profit by the end of next year, Mr David Herman, its first president and chief executive officer, said yesterday.

The company intended to launch a new model in both the Saab 900 and Saab 9000 range and a new luxury car by 1995.

However, Mr Herman, former managing director of General Motors in Belgium, warned that prospects were uncertain. He said action was needed to reduce the high level of absenteeism and labour turnover among blue-collar workers at the company's car plants, because this affected the quality of the production.

"The 12-13 per cent absenteeism among blue-collar workers is far greater than in any other industrial country that I know of and the annual attrition rate of 20 per cent – over 30 per cent in the final assembly – is off the chart," he added.

Mr Herman indicated that he would be seeking talks with the trade unions and with the Swedish Government on what had to be done to cut absenteeism and staff turnover, which are national problems not unique to Saab.

"The first question I asked when I arrived a fortnight ago was how much does this waste cost, and nobody knew the answer," he said. However, he added: "There is a clear competitive disadvantage."

In his view there needed to be a "greater sense of loyalty" to the company among its blue-collar workers. Mr Herman suggested there would have to be changes in the egalitarian wages system so that workers enjoyed what he called a "pay-for-knowledge" approach that would reward expertise and experience.

Mr Herman was keen yesterday to stress his commitment to preserve Saab's "culture and brand character" in the joint venture. In particular he pinpointed the design and engineering staff as "the critical and self-sufficient source of Saab's personality" and emphasised the continuation of separate marketing.

He also suggested there might be new opportunities for Swedish sub-suppliers in areas such as chassis component manufacture and engines.

An estimated 70 per cent of the content of Saab's cars is already supplied by Swedish companies.

Sparing use of lifelines in the cruel sea

David Lascelles and David Waller on rising UK company insolvencies

Source: Dun & Bradstreet

Britain's tougher economic climate is taking its toll on the corporate sector. The collapse of Paisley Hyer, a Midlands clothing manufacturer, earlier this week with the loss of 2,400 jobs highlights the steady rise in business failures that has taken place in recent months.

Last year, bankruptcies totalled just less than 8,000, only a few short of the peak of 8,035 reached in 1984 in the wake of the severe recession of the early 1980s. And with no end in sight to the current squeeze, it is a safe bet that 1990 will set a new high.

But although the rising total is a predictable consequence of high interest rates, it reflects other factors as well, such as a greater readiness by banks to act when their borrowing clients get into trouble and the simplification of insolvency laws.

Mounting distress in the corporate sector has sharpened the dilemma which banks always face in an economic downturn: whether to nurse ailing companies through their sickness, or to pull the plug. During the last recession, the clearing banks created their famous "intensive care units" to keep companies going, and these are now beginning to fill up again. But this time round the banks are trying to apply remedies before the illness gets that bad.

At Midland Bank, for example, where economists are expecting quite a hard recession, bankers are keeping a sharper look-out for early signs of trouble. Where previously a single bad month at a borrower might be dismissed as a blip, it is now a trigger for action.

Midland has instructed its branches to be both "vigilant and understanding," according to the bank's spokesperson, particularly in the property and construction, retailing and textile sectors, as well as among highly geared companies. The painful lessons of the early 1980s are also paying off in the form of greater expertise in dealing with troubled companies, and in judging when problems are beyond rescue.

At Royal Bank of Scotland, there is also a more stringent approach to borrowers in difficulty. "No bank wants to see its customers in trouble," said a representative, "so we only call in the receivers as a last resort. But a bank cannot go on throwing good money after bad." The bank is a leader in the leveraged finance market which is particularly vulnerable to high interest rates, but it claims to have made prudent provisions for all possible problems.

With the majority of failures occurring among small companies, the bank with the biggest potential exposure is National Westminster. NatWest says it is much readier now to call in the receiver at small companies, partly because the changes in insolvency laws protect a bank's position better, and partly because its own internal procedures have been streamlined.

"I don't think we shall be harder and harsher with our customers when problems arise," says Mr John Rhodes, head of UK advances. "But we won't be prepared to let things drag on as much as we did before. We want to manage things more quickly because our main responsibility is to our depositors and shareholders."

Whatever line they adopt, however, UK banks will not be able to escape a sharp increase in bad debts. Analysts expect them to have to make big increases in provisions for loan losses when they report their results at the end of this month.

In a report this week, Warburg Securities forecast domestic bad debt charge increases of between 50 and 100 per cent at the Big Four.

In this context, the Insolvency Act 1986, which was designed to discourage corporate failure, faces its biggest test so far.

Every insolvency administrator must report to the Department of Trade and Industry on directors' conduct; based on the report, the DTI can ask the courts to disqualify an individual from holding a directorship or managing a business for up to 15 years.

Since the Act took force, the DTI has taken a total of 1,063 people to court, securing 576 disqualifications by the end of 1989. The Act also introduced the notion of "wrongful trading," which allowed the court to order directors to contribute personally to liquidation funds when they allowed the company to continue beyond a demonstrable point of no return, and then failed to take every step to protect the interests of creditors. Wrongful trading is a civil offence and thus a lot easier to prove than the criminal offence of fraudulent trading introduced in 1929.

It can be costly to be convicted of wrongful trading. A High Court judge last year ordered two directors to pay £75,000 out of a total deficiency of £108,000 sought by the liquidator (regarding Produce Marketing Consortium).

"These measures are definitely beginning to work," said Mr Allan Griffiths, head of Grant Thornton's insolvency practice. "That is evident from the numbers of people disqualified. Furthermore, wrongful trading has led to a lot more out of court settlements between directors and creditors. These severe penalties make directors more aware of their responsibilities."

The Act also introduced the court-appointed administrator as an alternative to the two categories of liquidator and receiver. The administrator is generally called in at the initiative of directors themselves, rather than by creditors. Once an administrator is appointed, assets cannot be seized to meet the demands of a single creditor.

But the concept – similar to Chapter 11 in the US – has yet to take off in the UK: there were 131 appointments in 1987, 198 in 1988 and 129 last year.

E German group leaves state hands

By Leslie Colitt in Berlin

KNORR-BREMSE, the Munich-based brake company, will make German corporate history when it returns to its early-20th-century origins and takes a 50 per cent share in Berliner Bremsenwerk of East Berlin.

The deal will see the Berlin brake manufacturer become the first state-owned East German company to be wholly transformed into a joint venture with a Western concern. The remaining 50 per cent of Berliner Bremsenwerk will no longer be in state hands.

Knorr-Bremse, a family-owned company originally from Berlin, is the world's second-largest manufacturer of railway and truck brakes. The two concerns fit perfectly, as East Germany is the world's largest exporter of passenger trains, mainly to the Soviet Union, and thus a leading producer of railway brakes.

Mr Hartmut Scheurer, a director of Knorr-Bremse, said the joint venture was the culmination of more than 30 years of business contacts between the East and West German companies. Berliner Bremsenwerk bought brakes from Knorr and made railway brakes under license from the Munich concern.

Knorr began serious talks on forming a joint venture last summer in East Berlin. It hopes the partnership will be in place by January 1, 1991 at the latest.

Mr Scheurer said Knorr had a high regard for both the quality of products made by the East Berlin firm and its managerial potential.

The East Berlin factory, in common with many plants hit by massive emigration to the West, was down to 1,600 workers, 400 too few for its technological level, Mr Scheurer said. Knorr's idea to have its East German partner pay part of the wages at Berliner Bremsenwerk in hard D-Marks might be one way of attracting qualified workers and boosting incentives.

The Berlin company said turnover could be raised well above the current 145m Marks ($86.3m) with the help of fresh labour.

Katharine Campbell in Frankfurt adds: an East-West German consortium has emerged as a possible buyer of the diesel engine business of Switzerland's Sulzer engineering group. The intended sale of the business to the Munich-based MAN was turned down last week by Mr Helmut Haussmann, the West German economics minister.

Bremer Vulkan, the West German shipbuilding and engineering concern, Howaldtswerke Deutsche Werft of West Germany and the East German shipyard Kombinat have formed a consortium which will shortly begin talks with Sulzer.

UK director had rivals followed

By Clay Harris in London

MR MAX LEWINSOHN engaged private detectives to follow two of his boardroom rivals at Dominion International Group, the UK financial services company with debts exceeding £100m ($167m), which has sought protection from its creditors.

The exercise lasted for at least three months in late 1988 and early 1989 and cost Dominion more than £100,000. At an early stage, the detectives reported to Mr Lewinsohn that they had found nothing to discredit Mr Rupert Galliers-Pratt and Mr Nigel Cayzer, the brothers who were involved in a bitter dispute with him over the direction and control of Dominion. Nevertheless, Mr Lewinsohn ordered the detectives to continue.

The brothers resigned from the Dominion board last July, but as significant shareholders in the company they were instrumental in forcing Mr Lewinsohn to follow suit less than a month later.

At the time, the engagement of detectives was not known to other Dominion directors, including Lord Barnett, who served as deputy chairman and chairman during the months in question. However, it has since been confirmed by Dominion's present management and by a spokesman for Mr Lewinsohn.

Mr Carl Openshaw, Dominion's managing director since July 1989, said last night: "It sounds an extraordinary use of shareholders' funds at any time, particularly when the company was facing financial difficulties."

It has also emerged that the Dominion board demanded answers in November 1988 from Mr Galliers-Pratt and Mr Cayzer to 34 questions about the affairs of Film Finances, the production guarantee company they sold to Dominion, and certain other business interests and personal expenses.

After receiving their answers, the board submitted supplementary questions.

These exchanges coincided with the effort led by the brothers and their allies to remove Mr Lewinsohn as chairman of Dominion.

In a compromise, they agreed that Lord Barnett, then deputy chairman, should trade jobs with Mr Lewinsohn and investigate all issues raised by the dissidents.

On December 8 1988, Lord Barnett told fellow directors that, "with the exception of a minor matter of accounting treatment," he had found no evidence of wrongdoing.

Bound by the terms of the agreement, dissident directors and shareholders backed off. However, they revived their efforts last summer, leading to Mr Lewinsohn's resignation.

The Brothers, Page 31.

French steelmaker climbs 71%, sees sluggish growth

By William Dawkins in Paris

USINOR SACILOR, the French state-owned steelmaker, yesterday produced a 71 per cent increase in 1989 net annual profits, but warned that earnings growth would be much slower this year.

Profits climbed to FFr7.9bn ($1.8bn) after tax from FFr4.6bn in 1988, providing the latest evidence of the European steel industry's continuing prosperity, which many forecasters fear could soon diminish. This is Usinor Sacilor's second year in the black after 15 years of losses.

The group also announced the takeover of Techalloy, a US producer of stainless steel wire with annual turnover of $85m, and a FFr300m investment in a plant to provide half of its supplies of manganese; essential in steelmaking.

The purchase of Techalloy, for an undisclosed sum, makes the French company the world's second largest supplier of stainless steel wire. The manganese plant, near Dunkerque, is to protect Usinor Sacilor against big changes in the world price for manganese, a product dominated by a few very powerful suppliers.

Usinor Sacilor's sales rose 19 per cent from FFr78.9bn to FFr94bn, including the first contribution of nearly FFr4bn from Saarstahl, the West German steel producer which Usinor Sacilor has controlled since June. Underlying sales growth was 14 per cent, said Mr Robert Hudry, finance director.

Demand and prices rose strongly in the first half because of the buoyancy of the car, construction and engineering industries, which are the group's main customers, said Mr Francis Mer, president.

However, "demand was being held above real levels," because of stock building in anticipation of more price rises.

Customers began to run down stocks in the second half. This is continuing, suggesting the growth in sales and profits should slow significantly in the current year, he said.

It was possible 1990 profits would be the same as last year, said Mr Mer.

Last year's profits are struck after the repayment of FFr500m to the French Government. That was part of a state aid package earmarked for the steel company in 1982 by Mr Jacques Delors, then French Finance Minister before becoming President of the European Commission, which has since demanded repayment of some of the aid on the grounds that it was anti-competitive.

German car parts group joins forces with Unisia

By Katharine Campbell in Frankfurt

KOLBENSCHMIDT, the automotive parts subsidiary of Metallgesellschaft, is forming a joint venture with Atsugi Unisia, a technology leader in piston design in Japan, to produce pistons for the North American car market.

The new company will be based in Marinette Wisconsin, where KSG Industries, a Kolbenschmidt subsidiary, already has a piston plant.

Kolbenschmidt will take a majority stake in the new venture, which is designed to come on stream during this year, with Unisia owning up to 40 per cent of the shares.

KSG and Unisia say they intend to double their present production capacity of original equipment pistons.

The two companies have already worked together in the form of technical assistance agreements for ten years.

On Tuesday Kolbenschmidt announced a 34 per cent increase, to DM33.5m ($20m), in group net profits for the year ended September 30.

Group sales climbed 25 per cent to DM1.29bn, and the company is paying an unchanged dividend of DM8 per share. Unisia's sales for 1989 amounted to $890m.

Cement makers lay bricks abroad

George Graham follows two French groups on the acquisition trail

France's two leading cement producers have almost fought each other to a standstill in their domestic market, but now they are coming face to face in other countries as they expand rapidly overseas.

Lafarge Coppée, now ranked as the second largest cement group in the world, just pips its rival Ciments Français in the French market.

Each company has a market share of about one third; buying up any of the remaining cement works in France would be blocked by the Government as anti-competitive, and neither group finds it profitable to fight to the last drop of blood to increase its share of a slow-growing market.

"Market shares in France are basically stable. There comes a time when it just becomes exorbitantly expensive to displace market share, whatever the competition commission may think," says Mr Pierre Conso, the 58-year-old chairman of Ciments Français.

Overseas, however, market share is often for sale. Both groups have been on the acquisition trail over the past year, buying up cement businesses around the world.

The most dramatic stroke was Lafarge's FFr5bn ($877m) deal last June to acquire Cementia of Switzerland, with a string of cement works in Europe, the US, Africa and Indonesia, in the process winning control of Asland, the largest cement producer in Spain.

Lafarge has also been expanding its North American granulates business, and last month agreed to acquire Aslan Cimento, a Turkish cement works with around 25 per cent of the market in the Istanbul region, for $85m.

"We invested FFr10bn in 1989, and Cementia was less than half of it," said Mr Bertrand Collomb, Lafarge's new chairman.

Ciments Français has focused on many of the same targets as Lafarge, though unlike its rival it has concentrated exclusively on cement and the related businesses of ready-mixed cement, granulates and concrete — none of Lafarge's diversification into plasterboard, refractories and seeds.

France's cement producers have developed a taste for foreign purchases. Last June, Lafarge Coppée spent FFr5bn buying Cementia of Switzerland and won control of Asland, Spain's largest cement producer. Meanwhile Lafarge's domestic rival, Ciments Français, is bidding for the Spanish group Financiera y Minera

In September last year Ciments Français agreed to buy five privatised Turkish cement works. The deal has run into legal difficulties, but Mr Conso is unruffled, and says the takeover has already effectively taken place, even if the Turkish Government must still settle some constitutional points. It has also been expanding its granulates activities in North America with the acquisition of Gormley in Canada.

Mr Conso has also targeted the fast-growing Spanish market. Already positioned with 75 per cent of Rezola and 25 per cent of Molins, Ciments Français is now in the process of bidding for Financiera y Minera. The bid has been contested, both by those who believe Ciments Français was being unfair to minority shareholders and by those who simply think the French company is paying far too much. Rivals say the price works out at 2.5 to 3 times the cost of building a brand new cement works of the same capacity.

"In our businesses the creation of new plants or new market shares is very difficult," counters Mr Conso.

"The difference between an ordinary price and a takeover price is the acquisition of a strategic position. We estimated that a reasonable threshold for us to play a role in Spain is around 10 per cent of the market — the same as we now have in Turkey — and that is what we will achieve with Financiera y Minera," he said.

Financiera y Minera is expected to become the focus of Ciments Français's other interest in Spain, and possibly elsewhere in the Mediterranean region. The group already has a cement works in Morocco, and has just bought some quarries in Greece. Now, Mr Conso has left for Tunisia, which is on the point of privatising its cement works.

Over the next decade, neither French group foresees any further diversification from the businesses it is already involved in.

"In the year 2000, we see the group in the same activities as it is in now. I don't envisage creating any new families of activity, though our value-added products will probably develop more than our basic products. In size, we see at least the same growth as in the last ten years," says Mr Collomb of Lafarge.

Mr Conso agrees; though Ciments Français does not have the same product diversification as Lafarge, he believes there is plenty still to do in geographical diversification.

"We have not exhausted the North American market and we are only just starting in southern Europe and the Mediterranean. We can easily double our size in those areas without looking further afield to the Pacific — which suits us, as our aim is to satisfy our shareholders, not to organise long-haul voyages," Mr Conso quips.

Solvay to raise capital spending as earnings rise

By Tim Dickson in Brussels

SOLVAY, Belgium's biggest chemicals company, last night announced a 10 per cent improvement in net earnings last year and a substantial increase in capital spending plans for 1990.

Precise sales and profits figures will not be disclosed for several weeks but the rise in consolidated sales of "about 2 per cent" implies a total of around BFr258.5bn ($7.35bn), while the earnings rise suggests a 1989 total of BFr16.6bn.

A statement said the profit improvement was the result of a slight increase in earnings before extraordinary items — BFr20.1bn in 1988 — and a decrease in extraordinary charges which amounted to just over BFr5bn in the previous 12 months.

Solvay pointed to a growing demand for soda ash in Europe but lower sales elsewhere due to lack of capacity, a good performance from peroxygens, a mixed picture in plastics after the record year of 1988, and reduced profits from the health sector.

Unico banking partners to strengthen their links

By George Graham in Paris

SIX EUROPEAN co-operative banks are to launch a new range of reciprocal services through collaboration in the Unico banking club.

They will allow each other's clients to open accounts at long range, if they move abroad; provide housing loans, whether for moving country or for holiday home buyers; and set up a help line, enabling customers to draw cash when travelling.

The banks boast a total of 37,000 branches and dominate the retail banking sector in northern Europe with 45m customers between them.

Unico members include Crédit Agricole in France, Deutsche Genossenschaftsbank in West Germany, Rabobank in the Netherlands, Cera in Belgium, Okobank in Finland and RZB in Austria. Denmark's Andelsbanken, which has just merged with another bank, is not taking part in the venture.

Mr Philippe Jaffré, director general of Crédit Agricole, said more joint ventures were planned, including services for corporate customers.

Other mutual and co-operative banking groups have recently embarked on a number of cross-border joint ventures, such as the recent initiative by 15 savings bank networks to launch three jointly-managed Ecu-denominated mutual funds. Mr Jaffré said he was sceptical about the real extent of these agreements.

He said partnerships with the Unico members would be the main line of development for Crédit Agricole in northern Europe, where the co-operative movement has strong roots.

In southern Europe, which has only small co-operative banking groups, Crédit Agricole aims to acquire stakes or control in the retail banking sector. In Italy it has already taken a 10 per cent stake in Ambroveneto, the largest Italian private sector bank.

In the UK, where the co-operative movement is also less developed, Mr Jaffré said he would like to take a position in a building society. He noted that few retail banking networks were for sale, adding that the recent sale of Yorkshire Bank had shown how high prices could be.

Norwegian group surges to NKr475m

By Karen Fossli in Oslo

NORWAY'S VARD group more than doubled pre-tax profits in 1989 to NKr475m ($73.3m) from NKr204.9m in 1988. In the fourth quarter of last year pre-tax profits soared to NKr130m from NKr25m the previous year.

The four companies in the group improved performances. Larvik Line, a ferry business, increased pre-tax profits to NKr57m, Kloster Cruise saw pre-tax profits rise to NKr296m, Finanshuset, the investment company, improved pre-tax profits by NKr107.9m, and Vard A/S decreased losses to NKr46m.

Nykredit profit drops sharply

NYKREDIT, the large Danish mortgage credit association with total assets of DKr306bn ($47bn), reported a sharp drop in profits last year on the eve of its conversion to joint stock company status, writes Hilary Barnes in London.

Mr Thorleif Krarup, chief executive, described the results as not satisfactory and said earnings would have to be improved to live up to the EC's new solvency requirements.

Pre-tax earnings were down from DKr2.50bn in 1988 to DKr411m last year. Loss provisions rose from DKr428m to DKr930m.

Alcatel in satellite venture

By William Dawkins

ALCATEL, the French telecommunications equipment producer, has teamed up with Qualcomm, a US satellite communications group, to market long-range mobile message systems in Europe, North Africa and the Middle East.

The joint venture, Alcatel-Qualcomm, will market, sell and service what is claimed to be the world's first satellite message system. It consists of a terminal, mounted in the cab of a truck or other vehicle, able to communicate via satellite to a head office or delivery point.

It is designed to help companies better organise delivery and collection times and generally keep track of their transport. It is faster, and has a wider range than a mobile telephone, said Alcatel.

The venture will be 51 per cent controlled by Alcatel and based in France. The system was developed by Qualcomm, based in California, as Omnitracs and is now installed in 7,000 vehicles in the US, which use it to send 250,000 messages per day.

The European version is still at the experimental stage, but will be sold in Europe as Euteltracs because it is expected to use a Eutelsat satellite.

WestLB mulls Hungarian stake

WESTDEUTSCHE Landesbank, the country's fourth largest bank, is considering taking a stake in the Hungarian Kreditbank as part of its developing interest in Eastern Europe, writes Katharine Campbell in Frankfurt.

WestLB said the bank was considering a roughly 25 per cent participation in what is Hungary's biggest industrial bank, but stressed that talks had not yet progressed beyond an informal level. No date has been fixed for the Hungarian Government's important reforms that would permit such a stake, it said.

INTERNATIONAL COMPANIES AND FINANCE

Mitsubishi Corp extends Aristech deadline

By Robert Thomson in Tokyo

MITSUBISHI Corporation, Japan's largest trading house, was holding its breath last night after extending the deadline on a proposed $850m leveraged buy-out of Aristech Chemical Corporation, a mid-sized US chemical company, which has received notice of a counter-offer.

The Japanese company had presumed that a special Aristech management committee would quickly approve the offer, but Huntsman Holdings, a US chemicals and plastics company, has advised that it is preparing a bid of "at least $27 a share," $1 more than the Mitsubishi offer.

Aristech's special committee ended discussions on Tuesday night in New York without reaching a decision, although the Mitsubishi deadline for its offer, which was put forward at the request of Aristech management, was to have expired at 5pm on Tuesday, New York time.

Huntsman, which holds a 9 per cent stake in Aristech, had attempted a takeover of the company last year at $25 per share, prompting Aristech management to seek the assistance of Mitsubishi, with which it has had a long business relationship.

The proposed Huntsman offer, while not finalised, apparently has the backing of GE Plastics, a subsidiary of General Electric, and has thus raised the possibility of a drawn-out battle for control, which would severely embarrass the Japanese company.

On making its offer two weeks ago, Mitsubishi had emphasised that the bid had the backing of Aristech management, as the company did not want to get caught up in controversy over US acquisitions by Japanese companies. At the time, Mitsubishi said the acquisition should be seen as a "partnership between Japanese and American companies."

Mr Jon Huntsman, chairman of Huntsman Holdings, asked the special committee to allow the company another two weeks to prepare a formal bid, and wanted access to senior Aristech financial staff and visits to factories before formally filing a bid.

"As you all know, I have been pursuing this objective for more than a year and fully intend to achieve this goal," Mr Huntsman said in the Huntsman submission. "Rest assured that our bid will be at least $27 per share unless some materially negative information comes to our attention as a result of our due diligence work."

He expressed confidence that "given the very short time that it will take us to be in a position to submit our formal proposal, you will not enter into any binding agreement with Mitsubishi or any other parties."

Under the Mitsubishi proposal, Aristech management and the Japanese company planned to establish a new company for the buy-out with a capital of $200m, of which Mitsubishi would provide 85 per cent. A total of $650m would be borrowed from a syndicate of Japanese banks lead-managed by Mitsubishi Bank and Mitsubishi Trust and Banking Corporation, both members of the Mitsubishi family of companies.

Japan set to introduce tighter rules on tokkin funds

By Stefan Wagstyl in Tokyo

THE JAPANESE authorities are tightening the rules on the management of tokkin funds, investment trusts favoured by corporate and institutional investors, in order to stamp out abuse in the Y40,000bn-plus ($278bn) market.

The Japan Securities Dealers Association is today due to issue securities companies with a new set of regulations for managing tokkin funds, in response to pressure from the Ministry of Finance.

The ministry's action followed allegations late last year that Daiwa Securities, the second largest stockbroker, had infringed rules governing the management of clients' funds by secretly compensating favoured clients for losses to the tune of Y10bn.

The moves show the ministry's determination to reform the Tokyo financial markets, taking advantage of the evidence provided in a series of scandals over the last three years, including the Recruit affair.

The scandals have made it more difficult than in the past for politicians to protect financial companies from the the bureaucrats' investigations.

Large financial companies have themselves mostly accepted the need for change, in order to assuage international criticism of standards in Tokyo. (The Daiwa case relates to events which happened 10 years ago.)

Tokkin funds are supposed to be managed by investors themselves or by investment advisory companies, with trust banks acting as custodians. A popular variant is the fund trust, where the trust bank is the manager. In practice, investors have often handed the funds over to a stockbroker to invest – in the hope that this will result in better performance.

They are lured into doing this by the belief that shares tipped by big Japanese broking companies frequently go up. About Y5,000bn is managed by broking companies in this way, an estimated Y2,000bn by the Big Four stockbrokers (Nomura, Daiwa, Nikko and Yamaichi).

The brokers have been accused of sometimes churning these accounts or using the money to drive up a share price. The soaring Tokyo stock market also tempted some clients to ask for a guaranteed return – and some brokers to promise one.

The practice is illegal but it is so common that there is a slang word for these unwritten contracts – *nigiri*, best translated as "a handshake."

A foreign fund manager said Japanese investors sometimes asked him for promises of a guaranteed return, which he could not give. Occasionally his Japanese staff would urge him to agree saying he could always apologise at the end of the year if he failed to deliver.

In the Daiwa case, the company admitted covering losses for clients but denied promising to do so in advance – a crucial distinction.

Nevertheless, the company paid heavily for the affair, since four officials had to resign, 12 took a 10 per cent pay cut and 38 have had to give up a regular bonus.

Mr Toshiaki Sakakibara, a general manager of the securities dealers association, declined yesterday to say whether the practice of *nigiri* was common. "We would prefer that this word did not exist in the industry."

The new rules will try to enforce an old principle that an investor must use an investment advisory company to manage his tokkin fund.

The only exceptions are large financial institutions and public companies which can show that they have experienced in-house fund managers. Senior directors of brokerage houses will be required to supervise the opening and running of accounts.

Brokers will be required to inform clients if their fund loses more than 10 per cent of its value. If the losses persist for more than three months, the securities broker is required to examine the causes and inform an executive of the client company.

At the association, Mr Sakakibara said: "These are rules designed to be enforced by companies in-house. It is important that they do this."

Interim pre-tax profits show steady rise at JCI

By Jim Jones in Johannesburg

INCREASED revenues from platinum, coal and industrial interests combined to lift the interim profits of Johannesburg Consolidated Investment Company (JCI), the South African mining house, during the six months to December.

The group's interim pre-tax profit was R169.8m ($66.6m) against R144.0m in the corresponding period of 1988.

Revenues from the Tavistock coal mining subsidiary have been strong with improved export demand and prices. In December JCI paid R285m to acquire a 40 per cent interest in the Middelburg export colliery when BP Coal divested.

The purchase had little effect on JCI's interest receipts as payment was made only on December 22. JCI's interest income dropped as the group's cash resources were reduced when the group followed a rights issue by the Premier food group.

Rustenburg Platinum, which JCI manages, raised its interim dividend, even though its first half's revenues were affected by weaker platinum and nickel prices and technical difficulties at the new platinum refinery. Similar market factors affected Consolidated Metallurgical Industries (CMI), the group's ferro-chrome manufacturing subsidiary which has warned that trading conditions and prices are likely to deteriorate further in 1990.

Western Areas and Randfontein, the group's two gold mines, improved their performance in the final quarter of 1989 but only Randfontein declared a dividend. Randfontein's interim dividend and that of CMI are included in JCI's interim results but the Rustenburg interim will accrue only in the present six months.

In December JCI shares were split 20 for one. Equity-accounted interim net earnings on the greater number of shares in issue rose to 147 cents a share from 134 cents and the interim dividend has been raised to 42 cents from 35 cents.

Elders IXL sells Roach & Co to McIntosh unit

ELDERS IXL, an Australian brewing, agribusiness and finance company, yesterday took another step to reduce its financial services division with the sale of Roach & Co, a stockbroker, AP-DJ reports from Melbourne.

The buyer is McIntosh Hamson Hoare Govett, a brokerage unit of McIntosh Securities, which in turn is 40 per cent owned by Security Pacific of the US.

Elders recently sold its treasury operations to Dresdner Bank of West Germany and announced plans to sell most of its A$6bn (US$4.6bn) loan portfolio. Elders also wants to sell half of the finance unit.

● The Reserve Bank of Australia has issued an Australian unit of Dresdner with a licence to deal in foreign exchange. The operations bought from Elders have been renamed Dresdner International Financial Markets (Australia).

● Nikko Securities is to upgrade its representative office in Melbourne to a wholly-owned subsidiary.

Thyssen sales slip in first quarter

By David Goodhart in Düsseldorf

THYSSEN, the diversified West German heavy industrial group, saw a slight weakening in sales and orders in the first quarter of the current year.

However, Mr Dieter Spethmann, chief executive, said at the company's annual press conference that earnings for the quarter were "good." He also announced that 30 projects were being discussed with partners in East Germany but warned against expectations of quick deals.

Sales for the first quarter slipped by 1 per cent and orders by 0.6 per cent.

However the order picture was mixed, with the investment goods and manufacturing division recording a 7.8 per cent order increase.

Both the steel and special steel divisions – from where more than half the company's earnings come – recorded an order drop of nearly 12 per cent.

Mr Spethmann said that 1990 would not be a bad year in the steel industry.

Howver, the company is expecting a weakening in prices and a drop in the total volume of West German rolled steel from 41m tonnes last year to 38.5m tonnes in the current year.

The company revealed that earnings per share rose from DM25 ($15) in 1987-88 to DM35 in 1988-89 and announced that the dividend was being raised by one third to DM10 per share.

It also provided more details of the 21 per cent rise in net profits, to DM825m, announced at the end of last year. The steel side was the highest pre-tax profit earner with DM969m, followed by special steel with DM376m, investment goods and manufacturing with DM346m, and trade and services with DM207m.

The Thyssen Industry group saw pre-tax profits rise from DM137m to DM164m but Budd, the US car parts group, saw profits fall from DM132m to DM98m. The continued weakening of the US car market has also caused an 11 per cent drop in sales at Budd in the first quarter.

The company invested DM3.3bn in 1988-89, DM2.2bn on new plant and DM1.1bn on takeovers and "financial" investments.

The biggest acquisition of the year was Otto Wolf, the steel group, but the company also announced that it had completed the takeover of two West German die-casting companies and the British firm Birmid, previously part of Blue Circle, to create Europe's biggest foundry group with a turnover of DM1.4bn.

Thyssen said that the new joint venture in rail technology with Asea Brown Boveri would have sales of about DM1bn, split evenly between the two partners.

The company also insisted that the outlook for Transrapid, the magnetically propelled super-train, looked good, in spite of political resistance in West Germany. A final decision on the financing of the first commercial track in north-west Germany is expected in June.

About 1,000 jobs at Deutsche Babcock may be lost according to the union IG Metall. The company, which is suffering problems in its plant construction division, has already said it may have to omit a dividend this year.

Net profits at Philip Morris leap to $863m

By Karen Zagor in New York

PHILIP MORRIS, the tobacco and food group which is one of Wall Street's favourite stocks, yesterday reported strong results for the fourth quarter and year, as it continues to increase market share in cigarettes and reaps the benefits of efficiencies at its expanded food business.

The New York-based company's net earnings in the fourth quarter leapt more than 100 per cent to $863m or 93 cents a share from $342m or 37 cents.

Morris, which last year doubled its food business with the $13bn purchase of Kraft, said sales in the recent quarter rose 29 per cent to $11.1bn from $8.6bn previously.

Full-year net income increased more than 26 per cent to $2.9bn or $3.18 a share from $2.3bn or $2.51 in 1988. Revenues advanced 41 per cent to $44.8bn from $31.7bn.

Operating revenues at Philip Morris USA, the domestic tobacco division, rose 12 per cent in the latest year to $9.5bn while unit sales increased slightly in a declining market. The company continued to increase its leading market share as a result.

Philip Morris International, the overseas tobacco business, also increased revenues, by 4 per cent to $8.4bn, while volume increased by 8 per cent to $360.7bn.

In the main food business, which is now known as Kraft General Foods, operating revenues grew 1.9 per cent on a pro forma basis. Income from Kraft General Foods International in 1989 rose 14 per cent to $373m on operating revenues of $3.9bn. The General Foods USA division saw operating revenues increase 3 per cent to $5bn, while Kraft USA's operating revenues advanced 10 per cent to $4.5bn.

The company's Miller beer business reported a 5.3 per cent increase in operating revenues to $3.4bn while operating revenues at Oscar Mayer Foods rose 5 per cent to $2.3bn.

Dow Chemical suffers late setback after strong year

By Anatole Kaletsky in New York

DOW CHEMICAL, the second biggest US chemicals group, reported disappointing profits in the fourth quarter and indicated that earnings in the current year were unlikely to match the 1989 annual performance.

The company's shares dropped $2¾ to $62¼ in response to the announcement, in spite of the general rebound of equity prices on Wall Street.

Dow made net profits of $427m or $1.59 a share in the fourth quarter, down 31 per cent from the $635m or $2.29 reported a year before. Pre-tax operating income was also down sharply at $702m compared with $1.14bn.

In spite of the relatively weak result in the last quarter, earnings for 1989 as a whole were the highest ever in the company's history. The full-year profit was $2.49bn or $9.20 a share, up 4 per cent on the $2.40bn or $8.55 reported in 1988. On a quarterly basis, Dow's earnings hit a peak in the first three months of 1989 and have declined since.

Dow's annual sales were up 6 per cent to $17.6bn in 1989. But the latest quarter's sales of $4.26bn were down marginally on the $4.3bn of a year ago.

Mr Frank Popoff, the company's president and chief executive, said that sales would continue to increase in 1990, which would prove another "excellent year for Dow."

He conceded, however, that the latest quarter's results "fell below the company's expectations." He added a warning that he "did not expect the company to post record earnings in 1990."

Mr Popoff noted that there were some unusual expenses in the fourth quarter, including weather-related problems at the company's facilities on the Gulf coast. But the main reasons for the declining trend in earnings appeared to be slowing demand growth and price weakness in the company's main product markets.

Analysing Dow's operations by business segments, Mr Popoff said the general chemical business increased its annual sales by 4 per cent to $5.41bn and raised operating income by 12.3 per cent to $1.72bn.

Sales of plastics were almost unchanged at $6.99bn, but profits were down 16 per cent at $1.6bn. Hydrocarbon and energy sales increased by 18 per cent to $1.78bn, while income improved by 9 per cent to $239m. Consumer specialty sales were up 12.5 per cent to $3.41bn, while income declined 12.5 per cent to $490m.

Armco hit by industry slowdown

By Karen Zagor

ARMCO, a leading US integrated steelmaker, has reported a sharp drop in fourth-quarter earnings and sales as weakening markets and rising labour and materials costs took their toll.

Mr Robert Boni, chairman and chief executive, said the weakness in the second half was worse than expected.

"A slowdown in the manufacturing sector of the economy, particularly automotive, resulted in soft demand, a poor product mix and lower prices."

He added: "The much-heralded business slowdown obviously has arrived but whether the landing is soft or becomes outright recession isn't known. However, it looks as if the first half of 1990 for our steel businesses could be very weak."

For the three months ended December 31, net income fell more than 50 per cent to $15.5m or 15 cents a share from $32m or 34 cents a year ago. Sales in the quarter fell about 50 per cent to $416.2m from $831.3m.

The company attributed the decline in sales in the latest quarter to last year's sale of 40 per cent of its Eastern steel division to Kawasaki Steel of Japan. Armco no longer includes the operating results of that division.

For the full year, net income advanced 14 per cent to $165m or $1.78 a share from $145.4m or $1.57 the previous year on sales which fell 25 per cent to $2.42bn from $3.23bn.

The fourth-quarter decline comes on the heels of a weak third quarter, after several years of vigorous recovery from a downturn in the early 1980s.

Armco's specialty flat-rolled steel saw operating profits in the latest quarter plunge to $5.2m on sales of $132m, from profits of $16.4m on sales of $161.7m in 1988.

Armco's fabricating and processing segment had operating profits of $21.8m on sales of $138.4m in the latest quarter, up from operating profits of $8.6m on sales of $69.4m a year ago. This was the result of consolidating a steel processor and strength in Brazilian markets.

New lines lift Xerox sharply

By Karen Zagor

XEROX, the leading US maker of copying and duplicating equipment, yesterday reported sharply higher fourth-quarter earnings.

Net income for the December period was $212m or $1.93 a share on a fully diluted basis, against a loss of $77m or 80 cents a year earlier. Sales in the latest quarter increased 6 per cent to $4.67bn from $4.40bn in 1988.

Excluding restructuring charges at the end of 1988, income in the latest quarter rose 27 per cent from $167m.

For the full year, net income leapt 82 per cent to $704m or $6.41 a share on a fully diluted basis, compared with $388m or $3.49 a year earlier. Revenues rose 7 per cent to $17.64bn from $16.44bn a year before.

Excluding the 1988 year-end restructuring charges, the company, based in Stamford, Connecticut, said income in 1989 rose 11 per cent from $632m.

Xerox's insurance and financial services business reported a drop in income to $43m on revenues of $1.3bn in the latest quarter from income of $48m on revenues of $1.2bn a year ago.

Document processing, including worldwide development, manufacturing, marketing, servicing and financing business products and systems, generated income of $169m in the quarter against $119m a year earlier, before the 1988 restructuring costs. Revenues from the segment were $3.4bn, up from $3.2bn the previous year.

Xerox's business products include copiers, duplicators, electronic printers, scanners, typewriters, workstations and computer software.

Mr David Kearns, chairman and chief executive, said: "A very successful line of new products, continued tight cost controls and the benefits from the restructuring programme allowed us to increase our document processing revenues and improve profits margins in a generally soft business equipment market around the world."

However, he added that corporate results in 1990 might be "somewhat dampened by the effects of a continuation of the current industry-wide pricing weakness in property and casualty insurance."

Warner-Lambert surges 19%

By Karen Zagor

WARNER-LAMBERT, the US pharmaceuticals and non-prescription health products group, ended the decade on a strong note, with record sales and profits in the fourth quarter.

Net income in the three months ended December 31 climbed 19 per cent to $92.3m compared with $77.5m a year earlier. Earnings per share in the latest quarter were $1.37 against $1.14.

The company reported record fourth-quarter sales of $1.04bn, up 5 per cent from $997.9m a year earlier.

For the full year Warner-Lambert's net income advanced more than 21 per cent to $412.7m or $6.10 a share from $340.3m or $5. Sales improved 7 per cent to $4.2bn from $3.91bn.

Mr Joseph Williams, chairman and chief executive, described 1989 as "the best year in Warner-Lambert's history. Based on the company's strength and diversity and the outstanding opportunities throughout our business, Warner-Lambert's prospects are excellent for the near-term and beyond."

Worldwide sales of the company's prescription pharmaceuticals products rose 9 per cent to $1.3bn in 1989, led by the cholesterol-regulator Lopid, whose sales increased by nearly 50 per cent to $285m.

Sales for Warner-Lambert's non-prescription health care products advanced 6 per cent to $1.4bn, on the back of strong sales of Halls cough tablets, Listerine mouthwash, Benadryl antihistamine and Rolaids antacid.

O&Y to purchase rest of GW Utilities

By Bernard Simon in Toronto

GW Utilities, the gas distribution and energy holding company controlled by Canada's Olympia & York Developments, has proposed buying out minority shareholders as a prelude to selling some assets.

O&Y, owned by Toronto's Reichmann brothers, said it would pay C$36 (US$30) in cash for each of the 3.9m GW shares it did not already own, equal to 11 per cent of GW's total outstanding common shares.

The proposal is subject to approval by a majority of the public shareholders.

The offer price represents a 63 per cent premium over GW's share price on the Toronto stock exchange during the past month.

GW's assets include a 10 per cent stake in Allied Lyons, the British food and drinks group, 82 per cent of Consumers' Gas, an Ontario gas distribution company, and 41 per cent of Interhome Energy, an energy producer and distributor.

O&Y said discussions were continuing "concerning the possible sale of certain assets of GW."

GW has been looking for a buyer for Consumers' Gas for some time. O&Y also plans to sell its interest in GW to a new company, known as GWU Holdings, for C$1.3bn.

The purchase will be financed by cash, a promissory note and preference shares.

The sale of its GW shares will help O&Y offset losses from its exposure to Campeau Corporation, the troubled real estate and retailing group in which O&Y has a 10 per cent stake.

O&Y has lost about US$50m from its equity investment in Campeau.

Pump shoe inflates recovery at Reebok

By Alice Rawsthorn

REEBOK, the US sportswear company which recently introduced the Pump, the hottest new basketball shoe on the market, yesterday announced a dramatic increase in net income from $6.72m to $34.95m for the fourth quarter of 1989.

Reebok, which is 32 per cent owned by Pentland Industries of the UK, fell into the doldrums in the late 1980s when it lost momentum in the sports shoe market and suffered from sourcing problems.

The company has recovered after management restructuring. It made record net income of $175m, up from $137m on the year before on sales of $1.82bn, up from $1.78bn the year before. It made net income of 30 cents a share in the fourth quarter and net income of $1.53 a share for the full year.

The success of the Pump – a new type of basketball shoe with an inflatable fit selling for $170 a pair introduced in November – was one factor in Reebok's recovery.

So far it has sold around 80,000 pairs of the Pump, but demand has outstripped supply. Reebok is now increasing production.

Although sales of the Pump were relatively small in the fourth quarter, the publicity generated by the new shoe had helped to boost sales of Reebok's other products.

The group also benefited from the recovery of Rockport, known for its walking shoes. The Boston Whaler, a leisure boat business bought last year, made a small contribution of $8m to sales and a negligible profit in the fourth quarter.

One of the main sources of growth for Reebok was its international division. Sales in the US were static at $1.6bn in 1989, but international sales rose rapidly to $212.42m ($186.24m).

Mr Paul Fireman, chairman and chief executive, said Reebok "could not be in a stronger position" to develop its international business.

Reshuffle at American Brands

By Anatole Kaletsky

AMERICAN Brands, the US tobacco and consumer goods conglomerate, has announced a boardroom reshuffle designed to give outside directors a majority of board seats.

Some analysts speculated that the move might be a signal to Wall Street that the new independent board would be prepared to sell the company if this would maximise shareholder values.

Others noted, however, that most large US corporations now have a majority of outside directors and that American Brands is simply falling into line with this practice.

To implement the company's decision, five of the executive directors resigned on Tuesday and a new outside director, Mr Gordon Lohman, was elected. Mr Lohman is president of Amsted Industries.

The board now consists of 13 directors, six of whom are American Brands employees.

Two South African banks plan merger

By Jim Jones in Johannesburg

CORBANK, Hill Samuel's troubled former South African affiliate, is to merge with the recently-formed Cape Investment Bank, a specialist bank trading mainly in derivative financial instruments.

Mr Laurie Korsten, Corbank chief executive, was sharply critical of Hill Samuel after it divested, saying it had left its offshoot undercapitalised. However, Corbank ran into difficulties in its year to last March when irregularities were discovered in the bank's gilts trading division which was subsequently closed. Mr Korsten says it will now in effect be replaced by CIB's trading operations.

In 1988-89 Corbank made a disclosed profit of R2.2m ($866,000) after tax and transfers to inner reserves.

Asarco earnings decline after fall in copper price

By Kenneth Gooding, Mining Correspondent

FALLING copper prices reduced the fourth-quarter net earnings of Asarco, the US group which is changing from a metal smelting and refining organisation into a fully integrated mining group.

Earnings for the period declined from $73.1m or $1.74 a share to $59.1m or $1.42.

Asarco's average realised price for copper in the fourth quarter fell from $1.45 a lb to $1.18 and this contributed heavily to a fall in total sales from $599.3m to $531m.

Mr Richard Osborne, chairman of the New Jersey-based company, said that in spite of the fall in recent months the copper price remained at a satisfactory level. He added: "On balance, current demand for Asarco's products is strong and the outlook for 1990 is good."

For the year to December 31 net earnings rose from $207.24m or $4.92 a share to $231.2m or $5.50 a share on sales up from $1.99bn to $2.21bn.

Higher prices for copper, where the average realised price for the year rose from $1.17 a lb to $1.28, and zinc, up from 60 cent a lb to 82 cents, were offset to some extent by a lower average realised silver price, down from $6.62 a troy ounce to $5.53.

The full-year results included non-recurring items which had the net effect of lowering earnings by $20.3m or 48 cents a share.

However, earnings were boosted by an improved contribution from Asarco's associate Medisma (Mexico Desarrollo Industrial Minero), reflecting the acquisition in November 1988 of Mexicana de Cobre.

Construction group increases orders by 29%

By William Dawkins in Paris

SPIE BATIGNOLLES, France's fourth largest construction group, yesterday reported a 25 per cent increase in net profits to FFr250m ($43.8m) for 1989.

Turnover rose 26 per cent to FFr26bn while orders grew by 29 per cent during the year to reach FFr28bn. Of that total, 65 per cent of orders came from French customers.

The figures include the consolidation of Comstock, Spie Batignolle's Canadian subsidiary, and Drouard, a French construction subsidiary. Adjusting for these, the underlying growth in the group's order book comes out at 17 per cent, while the sales increase for last year was 14 per cent.

The growth in orders in 1989 meant the outlook for the current year was favourable, said the company.

INTERNATIONAL APPOINTMENTS

Deputy governors named for French central bank

By George Graham in Paris

THE Bank of France, the country's central bank, has named Mr Philippe Lagayette and Mr Denis Ferman as its deputy governors.

Mr Lagayette, 46, steps up from second deputy governor to first deputy governor, replacing Mr Jacques Waitzenegger, who is retiring. He had been tipped for senior posts at a variety of state-owned banks, but will remain at the Bank of France, which he joined in 1984 from the Finance Ministry, where he headed the private office of Mr Jacques Delors.

Mr Ferman, who has been with the central bank since 1958, will become second deputy governor, moving up from the post of secretary general. Aged 53, he held posts in New York and, on behalf of the International Monetary Fund, in the United Arab Emirates, before returning to the Bank of France to take charge of legal services, audit and management controls.

Mr Lagayette will have responsibility for international affairs, monetary policy and banking supervision and regulation, while Mr Ferman will supervise banknote production and payment systems, as well as the bank's branch network and internal organisation.

Management moves at Mellon Bank

THE LARGE Pittsburgh-based Mellon Bank named chairman Mr Frank Cahouet to the additional post of president.

He succeeds Mr Anthony Terracciano, 51, who decided to leave to become chairman, president and chief executive officer of New Jersey-based First Fidelity Bancorporation from today.

Mellon said its Office of the Chairman is being expanded to eight members as part of a management reorganisation plan. It will be staffed entirely from within the company.

As well as Mr Cahouet, it will include the two other current office members, Mr Richard Daniel and Mr W. Keith Smith, plus five other Mellon senior managers.

Apart from Mr Cahouet, all Office of the Chairman members will carry the title of vice chairman.

The other vice chairmen are Thomas Donovan, David Eyles, Richard Gaugh, Martin McGuinn and Jeffrey Morby.

Mr Steven Elliott, currently executive vice president and head of the finance department, will become chief financial officer. He succeeds Mr W. Keith Smith, who is assuming responsibility for the company's fee-based service businesses, including trust and investment, cash management, financial data processing and mortgage banking.

★ ★ ★

WHIRLPOOL, of the US, one of the world's leading producers and marketers of domestic appliances, announced the appointment of Mr Jan Prising as president, chief executive and senior managing director of Whirlpool International B.V., succeeding Mr Wilhelmus Maeyer, who retires today.

A year ago, the US company acquired a 53 per cent interest in WIBV when it was set up as a joint venture with the Dutch Philips electrical giant to consume a large portion of Philips' former Major Domestic Appliance division.

Mr Prising, 51 and a Swedish national, had been president and chief executive since 1987 of Dahl Invest, of Sweden, the leading plumbing, cooling and heating wholesaler in Scandinavia and part of the Ratos group.

He worked for Electrolux for 21 years, switched to SABA, the retailing group, in 1984 as chief executive officer, and then moved to Dahl.

Deutsche Bank chief joins board of Daimler

MR HILMAR Kopper, who succeeded Mr Alfred Herrhausen as chief executive of Deutsche Bank in December, was elected to the supervisory board of Daimler-Benz, West Germany's biggest industrial company.

Mr Herrhausen, killed in an attack on his car on November 30, was Daimler's supervisory board chairman.

Industry sources said they expect Mr Kopper to be elected to the chairmanship of the board at the next Daimler meeting because an official of Deutsche Bank, West Germany's largest bank, traditionally holds the post.

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THE ITALIAN fashion concern Guccio Gucci named board member Mr Giorgio Manina as managing director, while director general Mr Enrico Cucchiani was appointed group executive vice president, both newly created posts.

Mr Manina, a Gucci board member since 1988, has held executive positions with several Italian companies, including retail chain La Rinascente and Olivetti, Italy's leading computer manufacturer.

★ ★ ★

KELLOGG, the US convenience food producer, elected Mr J. Richard Munro, who is co-chairman of Time Warner, to its board of directors.

Helmsman of Brush Wellman resigns

THE OHIO-BASED Brush Wellman, a leading world producer of beryllium and other engineered materials, announced that Mr Raymond Foos, 61, has resigned as chairman, president, chief executive officer and a director.

Mr Foos concluded, and the board of directors agreed, that "as the company positions itself to capitalise on the opportunities of a global marketplace, this is an appropriate time for a transition in the company's leadership."

Mr Henry Piper, 67, former chairman and CEO of the company, and presently a director, is assuming the duties of president and CEO on an interim basis until the board has selected a new CEO.

The board, acknowledging Mr Foos's technical and scientific leadership during 29 years of service to the company, is pleased that he will be available for consultation. Mr Foos was elected president and CEO two years ago, and additionally became chairman in December, 1988, when Mr Piper retired.

★ ★ ★

FIRST Bank System, a leading US regional bank group which suffered a $500m loss on Treasury bonds in 1988, followed last September with news of problems with some loans financing highly leveraged buyouts, announced the appointment of a new helmsman.

Mr John Grundhofer has been named chairman, president and chief executive officer, replacing Mr D.H. Ankeny Jr, who resigned from these posts last autumn after the loans problems emerged.

Mr Grundhofer joins First Bank from Wells Fargo's Wells Fargo Bank of San Francisco, where he was vice chairman and senior executive officer for southern California.

Mr Darrell Knudson will remain as First Bank's vice president. During the search process for a new helmsman, he also served as acting chief executive officer.

★ ★ ★

THE SUPERVISORY board of Deutsche Bank appointed Mr Carl-Ludwig von Boehm-Bezing, who has been serving as senior vice president of the bank's Frankfurt branch, deputy member of the board of managing directors.

Appointed full members of the board of managing directors are Mr Michael Endres, Mr Jürgen Krumnow and Miss Ellen Schneider-Lenné, formerly deputy members.

★ ★ ★

WANG Laboratories, the troubled US minicomputer maker, has named Mr Michael Mee executive vice president and chief financial officer.

He replaces Mr Eugene Bullis, previously senior vice president, chief financial officer and treasurer. In August, Mr Bullis said he would resign from Wang to pursue other business interests.

Mr Mee was chief financial officer of Norton.

INTERNATIONAL CAPITAL MARKETS

Treasuries rise sharply on rumours of troop cuts

By **Janet Bush** in New York and **Martin Dickson** in London

US TREASURY bonds moved sharply higher yesterday, building on their price gains on Tuesday.

GOVERNMENT BONDS

In late trading, the Treasury's benchmark long bond was quoted a full point higher for a yield of 8.44 per cent and other long-dated maturities as much as 1¼ point higher.

The most obvious overarching reason for yesterday's rally was that the market was looking highly oversold with yields having risen over recent weeks to their highest levels since June 1989.

It appears that the selling accelerated somewhat on reports that President George Bush's State of the Union Address scheduled for last night would include plans for deep troop cuts in Europe.

There was a great deal of news for the market to digest yesterday morning.

US leading indicators jumped by a larger than expected 0.8 per cent in December, but the underlying trend was not as strong as it appeared from this headline figure, which was boosted strongly by aircraft orders.

The January survey of economic activity from the Purchasing Management Association of Chicago, published yesterday, was decidedly weak with the index of activity dropping to 46.0 per cent from 46.6 per cent in December.

Virtually all categories were negative. Production declined after failing to receive support from weakening new orders and shrinking backlogs. Inflation showed renewed strength.

■ GERMAN government bonds ended the day about 15 pfennigs down on overnight levels, despite a sharp drop yesterday morning prompted by the weakness of the D-Mark and rumours of Gorbachev's impending resignation.

Prices also came under pressure with concern over the new government bond, terms of which will be set on Friday. The Bundesbank drained DM5bn from the market at its repurchase tender – somewhat more than many analysts had been expecting – but with the minimum tender rate unchanged there was little impact on the market.

■ UK GOVERNMENT bond prices moved erratically in thin trading, taking a bearish tone from the general gloom in international bond markets.

Gilts opened ⅛ to ⅛ firmer, helped by the strength of sterling against the D-Mark, then moved lower as sterling lost ground against the German currency, finally partially recovering on the back of US Treasuries.

The March long gilt futures price closed at 87.28, against an overnight 88.02, with a high of 88.09 and a low of 87.21. The benchmark 11¾ Treasury stock due 2003/07 was quoted near the close at around 106⅛, yielding 10.83, slightly lower, down some ⅛ on the overnight level.

■ JAPANESE government bond prices followed the fluctuating fortunes of the yen on the foreign exchange markets. Near the end of Tokyo's trading day the yield on the benchmark 119th bond was 6.77 per cent against 6.57 at Tuesday's close, after moving in a 6.62/6.77 range.

Despite the strength of the dollar, the market had some support from the strong bidding seen at Tuesday's 10-year bond auction, which produced a 0.6 point rise in the coupon from the 5.6 per cent January bond. The Finance Ministry said the February auction produced an average yield of 6.172.

During London's trading day prices recovered slightly, thanks to the dollar's foreign exchange turnround, and near the close the benchmark was quoted at around 6.67, although several analysts forecast that yields would rise again towards 7 per cent.

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Change	Yield	Week ago	Month ago
UK GILTS		10.000	4/93	94-13	+4/32	12.14	12.37	11.36
		10.500	5/99	96-00	-2/32	11.19	11.30	10.57
		9.000	10/08	89-16	-3/32	10.27	10.34	9.71
US TREASURY *		7.875	11/99	96-13	+19/32	8.42	8.38	7.92
		8.125	8/19	96-16	+37/32	8.45	8.43	7.97
JAPAN	No 119	4.800	6/99	89.3824	-0.781	6.64	6.72	5.71
	No 2	5.700	3/07	94.2010	-0.619	6.41	6.51	5.86
GERMANY		7.125	12/99	96.2000	-0.100	7.69	7.75	7.28
FRANCE	BTAN	8.000	10/94	91.5251	-0.047	10.34	10.39	10.21
	OAT	8.125	5/99	90.7400	-0.140	9.66	9.63	9.50
CANADA *		9.250	12/99	95.7500	+0.600	9.94	9.89	9.71
NETHERLANDS		7.500	11/99	94.8600	-0.090	8.28	8.33	8.02
AUSTRALIA		12.000	7/99	96.1109	-	12.71	12.74	12.90

London closing; *denotes New York closing
Yields: Local market standard
Prices: US, UK in 32nds., others in decimal

Technical Data/ATLAS Price Sources

Chase starts netting for banks in Europe

By **David Lascelles**, Banking Editor

CHASE Manhattan Bank is launching a netting system for dollar payments by banks in Europe which it claims will reduce their risks.

Netting is the means by which banks that deal heavily in the money markets can settle the net amounts they owe each other rather than the total amounts.

Chase Netting will act as the clearing point for bank payments in foreign exchange, money markets and commercial cover payments.

Chase says its system has been approved by the Federal Reserve and several European central banks. There have been concerns that poorly designed netting schemes could lead to a massive unravelling of the payments system if a single bank defaulted. The Chase system is based on bilateral contractual agreements between all participating banks, which are designed to get round this problem.

Chase, which claims to be the largest dollar clearing bank – handling more than $316bn a day – says it has tested its system with three European partners: Dresdner Bank, WestDeutsche Landesbank and Girozentrale of Vienna. Eleven banks have now agreed to participate.

Although there have been several small netting schemes between groups of banks, Chase claims that its system is the first to be established on a formal basis with full central bank approval.

Cresvale increases its activities

By **Deborah Hargreaves**

CRESVALE Group, the international market-maker in equity-related securities, is expanding into the broader derivatives market with the announcement of two senior appointments.

The group says it will move into the futures and options business this month when Mr Kevin Connolly joins the group. Mr Connolly was formerly head of quantitative research at James Capel.

Cresvale is also boosting its asset management activities with the appointment of Mr Lester Petch to head its International Asset Management division. Mr Petch joins the group from the Target group.

Cresvale says its asset management group will offer fund management services to institutional investors through the creation of equity-linked securities-related funds, and that the group will announce its first venture in the area soon.

In addition, the group says its Swiss subsidiary started market-making in Swiss franc Japanese warrants at the end of January. The company has appointed a new trading team to work alongside its existing warrant and convertible sales force.

Japan to allow securities firms to issue CP

THE JAPANESE Finance Ministry will overhaul its regulations on commercial paper (CP) issues by domestic firms. Changes will include allowing securities houses to issue the instruments for the first time, Reuter reports.

A ministry official said the move would allow brokerages to raise funds more flexibly and so help enlarge the short-term money market.

But the funds raised must only be used by the securities firms to finance their own inventories of stocks and bonds, and CP issues will be limited to a maximum of half the value of such holdings by each firm, said the official.

Currently securities houses raise such funds by borrowing from other financial institutions and from non-CP short-term instruments such as call loans.

The regulation will ban securities firms from issuing CP for other purposes. As they can already act as dealers in the secondary CP market, this could have given them a competitive advantage over other issuers, the official said.

In addition, funds raised by securities houses through CP sales may not be put into investment trust funds managed by affiliated investment trust companies, said the official, who added that outstanding CP at the end of November last year stood at Y11,850bn.

The ministry will also ease standards for issuers from October 1, increasing the number of eligible companies to 530 from the current 410. Under the new system, firms must have credit ratings of A-1, the highest rating, or A-2 and Y35bn in net assets.

FT INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market.

Closing prices on January 31

US DOLLAR STRAIGHTS	Issued	Bid	Offer	Change on day	week	Yield
Austria 9⅝ 93	140	101¼	101⅝	+0⅛	−0¼	9.03
B.F.C.E. 8⅞ 94	175	97⅜	97⅝	+0⅛	−0½	9.05
B.F.C.E. 9¼ 95	150	100¼	100¾	0	−0½	9.12
Brit. Tel. Fin. 9⅝ 98	250	100	100½	−0⅛	−0¾	9.34
Canada 9 96	1000	100½	101	0	−0½	8.83
C.C.C.E 9¼ 95	300	100⅜	101	+0⅛	−0⅜	9.08
C.N.C.A 9⅞ 93	150	†100	100½	0	−0⅜	9.26
Credit National 8¾ 93	200	†97⅞	98⅜	+0½	−0⅛	8.92
Credit National 7⅞ 92	100	96¾	97¼	0	0	8.89
Credit National 9½ 92	160	†101	101½	+0⅛	−0¼	8.98
Dai-Ichi Kan 9⅝ 92	150	100⅝	101⅛	0	−0¼	9.19
Denmark 8¼ 94	150	†96½	97	+0⅛	−0⅜	9.13
E.E.C. 7 91	100	96¾	97¼	0	−0¼	8.81
E.E.C. 10 93	140	†102⅜	102⅞	0	−0⅛	8.99
E.I.B. 8½ 99	150	95	95½	+0¼	−1	9.25
Eurofima 10⅛ 93	100	†102¼	102¾	0	−0⅜	9.15
Elec. De France 9 98	200	98⅝	99⅛	0	−0⅜	9.19
Elec. De France 9⅝ 99	200	†101⅛	101⅝	+0¼	−0⅝	9.30
Finland 9 96	250	99⅛	99½	+0⅛	−0⅜	9.11
Finn.Exp.Cd. 8½ 92	200	98¾	99⅜	0	−0⅛	9.02
Finn. Exp. Cd. 9⅞ 95	200	100⅜	100⅞	0	−0⅜	9.21
Ford Motor Credit 8 91	250	†98½	99	0	0	9.16
Gen.Elec.Cap.Corp. 9 93	500	†99⅝	100⅛	+0⅛	−0½	9.02
Gen.Elec.Cap.Crp.10 1/2 91	300	101⅜	101⅞	+0⅛	+0¼	8.87
G.M.A.C. 8¾ 94	500	†96⅞	97⅜	+0⅛	−0⅜	9.50
G.M.A.C. 9 96	300	97½	98⅛	+0¼	−0½	9.46
Gen.Mtrs.Corp. 9⅝ 92	200	99½	100	+0¼	−0⅜	9.20
IBM Credit Corp. 8⅝ 92	400	99	99⅜	+0⅛	−0⅛	8.91
IBM Credit Corp. 8⅞ 91	250	99½	100	0	−0⅛	8.99
IBM Credit Corp. 9 92	250	99⅞	100⅜	+0⅛	−0¼	8.90
IBM Credit Corp. 9½ 92	250	100⅝	101⅛	0	−0⅛	9.00
Italy 8½ 94	1500	97⅝	98	+0⅛	−0⅜	9.05
Italy 9½ 95	1000	101⅝	102⅛	+0⅛	−0⅜	9.08
Italy 9⅝ 99	1000	101⅝	102	+0⅜	−0½	9.30
Itoh C. W/W 4⅝ 94	1000	108⅞	110⅜	+0¼	+1¼	2.29
Japan Dev. Bank 10 96	200	103¼	103¾	+0⅛	−0⅛	9.19
KFW Intl. Fin. 9 94	300	99⅜	99⅞	0	−0⅜	9.11
L.T.C.B. of Japan 9¼ 92	200	99⅝	100⅛	0	−0¼	9.27
New Zealand 9 94	850	98⅜	98⅞	+0⅛	−0⅜	9.36
Nippon Tel.&Tel. 9⅞ 98	250	100⅜	100⅞	0	−0½	9.30
Norway 8¾ 93	500	99⅜	99⅞	0	−0¼	8.88
Portugal 8¼ 91	300	†98⅝	99⅛	0	0	9.29
Sumitomo Corp. W/W 4 93	1500	†115½	117	−1	+0⅜	−0.70
Sweden 8¾ 96	200	98½	98⅞	+0¼	−0⅜	9.01
Toyota 9½ 91	200	100½	101	−0⅛	−0⅛	9.02
Toyota Mtr.Corp. W/W 4 93	1500	†104½	106	+0⅛	+0½	2.35
Victorian Rep 11⅜ 92	150	104⅛	104½	0	−0½	9.39
World Bank 8⅜ 99	1500	96½	96⅞	+0⅛	−0⅝	8.80
World Bank 9 97	300	99¼	99⅞	+0¼	−0¼	9.08
World Bank 9 93	300	100¼	100⅝	0	−0⅝	8.83
World Bank 9¼ 98	300	100¼	100½	+0⅜	−0½	9.18
World Bank 9⅝ 99	500	102¼	102½	+0¼	−0⅝	9.22
World Bank 9¾ 96	300	†102⅞	103⅜	+0⅛	−0⅜	9.08

Average price change... On day +0 on week −0⅛

DEUTSCHE MARK STRAIGHTS	Issued	Bid	Offer	Change on day	week	Yield
Asian Dev. Bk. 6 94	200	90½	91	−0⅝	−0⅛	8.38
Austria 6¾ 99	750	90⅝	91⅛	−0¼	+0¼	8.17
Bk.Frgn.Econ.USSR 7 96	750	†90	91	+0¼	+0½	9.07
Bank of Tokyo 5¾ 93	100	93⅞	94⅛	0	+0½	8.02
Commerzbank o/s. 5⅛ 93	300	93¼	93¾	0	−0¼	7.94
Credit Foncier 6¾ 99	500	†91	91¼	−0⅛	+0¼	9.22
E.I.B. 6¼ 99	600	87⅞	88¼	−0⅛	0	8.21
E.I.B. 6½ 97	300	91¼	91⅞	−0½	0	7.84
E.I.B. 6⅝ 96	600	93⅛	93⅞	−0⅜	−0½	7.96
E.I.B. 6¾ 95	300	94½	95	0	+0⅛	8.03
E.I.B. 8 2000	500	99¾	99⅞	0	+0¼	8.04
Euro.Coal& Steel 7⅜ 94	100	†101	101¼	−0⅛	0	7.46
Eurofima 6¼ 96	100	89⅝	90⅛	0	−2⅝	8.37
Elec De France 5⅞ 97	300	85½	86⅛	−0⅜	−0⅞	8.38
Hydro-Quebec 6¾ 99	300	89¾	90½	+0⅛	+0⅛	8.33
Japan Dev. Bk. 5⅞ 95	300	87¾	88½	−0⅛	+0⅛	8.25
Japan Finance 5¾ 97	100	86⅝	87⅜	−0¼	0	8.31
I.A.D.B. 7¼ 99	300	93⅞	94½	−0⅜	−0½	8.16
Ireland 6½ 97	300	89⅞	90⅜	+0⅛	−0⅛	8.36
Ireland 7¼ 99	500	93⅛	93¾	+0⅛	+0½	8.28
Malaysia 6¼ 94	150	94⅝	95⅜	0	0	7.61
Nat. West BK. PLC 6 98	300	†86	86½	−0⅛	−0⅛	8.37
Nippon Telg.&Tel. 6 95	400	90¾	91½	0	0	6.72
Oesters. Kontbk. 5 93	300	91⅝	92¼	−0⅛	+0½	8.11
Portugal 5¾ 92	150	93¾	94½	+0⅛	+0⅛	8.42
Portugal 6⅝ 95	150	92⅞	93⅝	0	−0⅛	8.18
Royal Insurance 5½ 92	300	94⅝	95⅛	0	+0⅜	8.13
Turkey 6½ 95	500	89½	90¼	−0¼	−0⅜	8.98
Union Bk.Finland 5½ 94	200	90⅞	91½	+0⅛	+0⅝	8.21
World Bank 6 98	500	86⅛	86⅞	−0⅛	+0⅛	8.20
World BK. 6¼ 97	600	88⅞	89½	−0¼	0	9.31
World Bank 6¾ 99	600	90⅝	91	−0¼	+0⅛	8.18

Average price change... On day −0⅛ on week +0

SWISS FRANC STRAIGHTS	Issued	Bid	Offer	Change on day	week	Yield
African Dev.Bk. 5 96	150	†86	87	0	+0½	7.71
Asfinag 5 03	100	†80½	81¼	−0⅛	−1⅛	7.26
B.F.C.E. 4½ 98	200	†84	85	0	+0¼	6.98
B.M.W.Fin.Neth. 5 13	150	†77	79	+0⅛	−0½	6.93
Britannia B/S. 4¼ 94	100	†85	86	+0⅞	+1	8.34
CIR. Intl. W/W 3 93	125	†84	85	+0⅜	+1⅛	8.32
Credit Lyonnais 4¾ 00	100	†78	78½	+0¾	+0⅛	7.90
E.I.B 4⅝ 98	150	†83¼	84	−0⅛	−0⅞	7.30
Finn. Exp. Cd. 8¼ 92	75	†99¼	100	+0⅛	−0¼	8.38
Fletcher Chall. 4⅞ 98	150	†73	74	+0¼	+0⅜	9.71
I.A.D.B. 6 2004	200	†89	90	0	−1	7.18
Kobe City 4⅝ 98	150	†82½	83½	+0½	+0¼	7.40
Leeds Perm. B/S. 4⅛ 93	200	†87½	88½	+1	−0⅛	8.55
Malaysia 5¼ 98	100	†80½	81½	+0⅜	+0⅛	8.49
Maxwell Comm.Crp. 5 95	150	†81¼	81¾	0	−0½	9.55
Nat. Bk. Hungary 5½ 94	75	†86	88	0	−1	8.89
Nationwide Ang.B/S. 4 93	200	†86½	87½	+0⅜	+0⅛	8.59
Prov. Newfoundland 5 03	150	†79½	80	−0⅜	−0⅜	7.38
Thailand 4⅝ 95	200	†83	84	+1	+1	8.53
World Bank 5 03	150	†80	82	−0⅛	−0⅞	7.24

Average price change... On day +0¼ on week −0⅛

YEN STRAIGHTS	Issued	Bid	Offer	Change on day	week	Yield
Canada 6⅛ 91	80	99⅝	99⅞	−0⅛	+0⅛	6.61
Canada 5⅝ 93	80	96⅝	96⅞	−0⅛	+0¼	6.69
Eurofima 5 1995	20	91¾	92¼	0	+0⅝	6.87
E.I.B. 4⅞ 93	30	94⅝	95	−0⅛	0	6.81
Ireland 5⅛ 93	30	†94⅛	94⅝	0	+0½	7.12
Norway 5⅜ 95	50	93⅛	93½	−0⅜	+0⅝	6.68
Sweden 4⅝ 93	50	93¾	94	−0⅛	+0⅛	6.76
World Bank 5⅛ 98	10	89	89½	−0⅜	0	6.89
World Bank 7 94	20	100½	100⅞	−0⅛	0	6.81

Average price change... On day −0⅛ on week +0¼

OTHER STRAIGHTS	Issued	Bid	Offer	Change on day	week	Yield
Abbey Nat. 10⅛ 94 C$	150	†97⅛	97½	+0⅛	+0⅞	11.01
Abbey Nat. 11⅝ 93 £	100	94⅞	95⅜	−0⅛	+1⅛	13.71
Aegon 7⅜ 92 Fl	100	†98⅝	99⅛	0	+0½	7.98
Alg. Bk. Ned. 5⅜ 93 Fl	200	92⅛	92⅝	0	+0⅛	8.58
Austria 7½ 94 ECU	100	†91⅜	91⅞	−0⅜	+0⅛	10.05
Barclays Aus.13½ 91 A$	100	97⅛	97⅝	+0⅛	+0⅛	15.22
Belgium 8⅛ 94 Ecu	150	†92¼	92⅝	−0⅜	+0½	10.47
Bell Canada 10⅞ 04 C$	200	97¾	98⅜	−0¼	−1⅛	11.14
BP Capital 9¾ 93 £	100	90¼	90⅝	−0¼	+1	13.57
British Airways 10 98 £	100	86⅛	86⅝	0	+0⅞	12.79
Brit. Telecom 9½ 93 £	150	†90⅝	91⅛	0	+0⅞	13.24
Comm.Bk.Aust. 12⅝ 93A$	100	†94¼	94¾	+0⅛	+0½	14.77
Comm.Bk.Aus.13¾ 94 NZ$	60	103⅜	104⅛	+0⅞	−0⅛	12.59
Credit Foncier 9 96 Ecu	100	†94⅞	95¼	−0⅜	0	10.07
CrLocalFrance 9¼ 92Ecu	100	†97⅞	98¼	−0½	+0⅜	10.19
Dent.Bk.Aus. 13⅞ 93 A$	125	98⅞	99⅜	−0⅛	−0⅛	13.64
Deutsche Bk.Fin. 15 94 A$	100	102¼	102¾	−0⅛	−0⅛	14.12
Elec.De France 9¾ 99C$	150	—	—	—	—	—
E.I.B. 7 96 LFr	100	*93½	94½	0	−1⅛	8.31
E.I.B. 7¼ 99 Fl	150	91⅞	92	0	+0⅛	8.42
E.I.B. 9 99 Ecu	150	†95¼	95¾	−0⅛	+1	9.75
Eurofima 7⅝ 94 Ecu	100	†91	91½	—	−0½	10.41
Export Dv.Crp.8¾ 92Ecu	100	†96⅝	97⅛	−0⅜	+0⅞	10.34
Fed.Bus.Dv.Bk. 9 94 Ecu	100	†95⅝	96⅛	0	+0½	10.18
Fed.Bus.Dv.Bk.9¾ 92 C$	75	†96⅞	97⅛	+0¼	−0⅜	11.15
Ferr. Stato 7¾ 93 Ecu	100	†92⅛	92⅝	−0¼	+0⅜	10.54
Ford Cr.Can.10¾ 93 C$	100	†98⅛	98⅝	+0¼	−0⅝	11.40
Ford Cred.Can.10⅞ 96C$	125	97¾	98⅜	+0⅜	−0½	11.33
Ford Cred.Fund.10¾ 93£	60	92⅛	92⅝	−0⅛	+0⅞	13.41
G.M.A.C.Canada 11 3/4 94C$	100	100¾	101¼	+0¼	−0⅜	11.40
Heineken 7⅝ 94 FL	150	97	97½	0	+0⅛	8.01
Hydro-Quebec 11 99 C$	400	99⅛	99⅝	+0¼	−0⅝	11.09
Lloyds Bank 10¼ 98 £	150	86⅝	87⅛	−0¼	+0⅞	12.94
Lloyds Bank 11⅜ 98 £	100	†90⅝	91⅛	−0½	+1⅛	13.16
Nat. Aus. Bk. 14¼ 94A$	100	99⅝	100⅛	0	+0¼	14.78
New Zealand 9½ 93 £	100	89¼	89¾	−0⅝	+0½	13.68
O.E.K.B. 10¼ 99 C$	150	94¾	95¼	+0⅛	−1	11.10
Royal Bk.Scot.10⅛ 98 £	125	88⅝	89⅛	−0¼	+0⅞	12.95
Saskatchewan 10¼ 93 C$	200	97⅜	97⅞	+0½	−0⅜	11.02
State Bk.NSW 13⅞ 93A$	100	98⅛	98⅝	+0¼	+0¼	14.41
Sweden 7½ 93 Ecu	250	†91	91½	−0½	0	10.39
Sweden 15 94 A$	100	102⅜	102¾	0	+0⅜	14.12
Toyota Mtr.Cr.10⅛ 94C$	150	96⅞	97⅜	+0¼	−0⅜	11.11
Toyota Mtr.Cr.11⅜ 92C$	150	99⅝	100	+0¼	−0¼	11.50
World Bank 7⅛ 99 FL	300	91½	92	0	+0½	8.43
World Bank 10⅞ 94 £	200	†93⅜	93⅞	−0⅛	+1⅛	12.76
World Bank 13⅜ 92 A$	100	99¼	99¾	−0¼	−1⅜	13.52
World Bank 14¼ 94 A$	75	100½	101	−0⅛	−0⅛	13.94
Zentrspk. 13¼ 93 A$	75	†97⅛	97⅝	+0⅜	+0⅜	14.15

FLOATING RATE NOTES	Spread	Bid	Offer	C.dte	C.cpn
Alliance & Leic.Bld 94 £	.08	99.93	99.98	24/01	15.21
Bank of Greece 99 US	0¼	99.33	99.43	8/03	9¼
Belgium 91 US	0	100.11	100.21	21/02	8.81
Chelt.& Gloucester 94 £	.063	99.83	99.87	28/02	15.31
Credit Foncier 98 US	.063	99.79	99.89	20/04	8.31
Dresdner Finance 99 DM	.031	100.18	100.24	28/01	8.16
EEC 3 92 DM	0	100.20	100.30	22/02	6¾
Halifax BS 94 £	.1	100.02	100.07	9/02	15.16
Invt. in Industry 94 £	†0¼	99.95	100.05	17/01	15.19
Leeds Perm. B/S. 94 £	0⅛	100.05	100.09	15/01	15.37
Milk Mkt. Brd. 5 93 £	†0⅛	99.91	99.96	29/03	15¼
New Zealand 5 97 £	.07	99.99	100.09	22/02	15¼
Northern Rock 92 £	0⅛	99.83	99.88	20/02	15¼
State Bk. Nsw. 98 US	.188	100.02	100.12	11/02	8.81
Woolwich Equit.BS. 95 £	0⅛	100.04	100.09	15/01	15.37
Woolwich 5 95 £	0⅛	100.00	100.05	22/02	15.31

Average price change... On day 0.00 on week −0.01

CONVERTIBLE BONDS	Cnv. date	Cnv price	Bid	Offer	Chg. day	Prem
Alcoa 6¼ 02 US	8/87	62.	106⅜	107⅜	+0¼	10.44
Amer. Brands 7¾ 02 US	9/87	56.7	116½	117½	+2¼	0.51
Asda 4¾ 02 £	3/87	164.	100½	101½	0	—
CBS. Inc. 5 02 US	†4/87	200.	94¼	95¼	+0⅛	8.91
Dai-Ichi Kan. 3⅞ 04 US	7/89	3486.	90⅞	91½	−0⅝	5.39
Primerica 5½ 02 US	4/87	66.75	71½	72½	−0½	91.25
Eng.China Clay 6½ 03 £	9/88	4.8	92½	93½	−0¼	4.30
Fujitsu 3 99 US	5/84	1106.	224⅞	225⅞	+4⅜	0.33
Ladbroke Grp. 5¼ 04 £	6/89	3.55	101	102	−0¼	12.60
Land Secs. 6¾ 02 £	6/87	6.72	85	86	−0⅞	15.37
Minolta Camera 2¼ 94 DM	2/86	1004.	106¼	107¼	−0⅛	7.18
MCA INC 5½ 02 US	9/87	69.62	91⅞	92⅞	−0⅜	25.79
Mitsubishi Bk. 3½ 04US	5/89	3266.	87⅜	88⅜	−0⅝	6.42
Next Plc 5¾ 03 £	11/87	4.3	95⅛	96⅛	0	353.04
Nichi Nipp.Bk.2⅞ 03 US	4/88	804.	142¼	143¼	−0¼	−2.74
Omnicom Inc. 6 1/2% 04 US	10/89	28.	101⅞	102⅞	−0¼	21.31
[illegible] 2⅛ 02 US	4/87	1310.	275	276	−2	0.41
[illegible] 4⅞ 03 £	1/88	3.5	123⅝	125⅛	−1⅛	8.87
Redland 7¼ 02 £	11/87	5.4	107	108	+0⅞	2.82
Saatchi&Saatchi 6¾ 03 £	†10/89	4.41	84½	85½	−0½	49.94
Silicon Graphics 8 04 US	6/89	23.18	126⅛	127⅛	−2⅝	2.03
Sumitomo Bank 3¼ 04 US	2/89	3897.	81⅞	82⅞	−1⅞	3.18
Texas Inst. 2¾ 02 US	9/87	82.87	76¼	77¼	−0¼	94.62
Utd Newspapers 8 04 £	10/89	8.77	—	—	—	—
W.R. Grace 6½ 02 US	9/87	42.12	89	90	−0¼	31.46

* No information available-previous day's price

† Only one market maker supplied a price

Straight Bonds: The yield is the yield to redemption of the mid-price; the amount issued is in millions of currency units except for Yen bonds where it is in billions. Change on week = Change over price a week earlier.

Floating Rate Notes: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. C.dte = Date next coupon becomes effective. Spread = Margin above six-month offered rate (three-month; §above mean rate) for US dollars. C.cpn = The current coupon.

Convertible Bonds: Denominated in dollars unless otherwise indicated. Chg. day = Change on day. Cnv date = First date of conversion into shares. Cnv. price = Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem = Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

INTERNATIONAL CAPITAL MARKETS

Leeds Permanent floating rate issue seeks £250m

By Deborah Hargreaves

THE Eurobond market sank back into a stupor yesterday after a flurry of equity warrant deals brightened the market on Tuesday. New issue activity for Eurobonds was slow.

INTERNATIONAL BONDS

One of the few issues was a £250m floating rate deal for the Leeds Permanent Building Society, which was brought to the market by Deutsche Bank.

The deal pays 10 basis points over the London interbank offered rate on a quarterly basis. It marks the first time Deutsche Bank has acted as lead manager for a sterling floating-rate note. The bank said it had isolated specific areas of demand among German institutional clients who want to buy sterling for the currency and yield, but are not prepared to buy into a long-term fixed rate issue.

Deutsche Bank received a quota in excess of £100m and said the deal was trading well at a rate of 99.85-99.87. Other market players thought the deal a little aggressive for its size, but this did not stop it being placed fairly easily.

There was some activity in the Swiss market yesterday, where Swiss Bank led an issue late in the day for Crédit Agricole, the first venture into Swiss francs for the French company.

Another deal managed by Swiss Bank for Germany's Landeskreditbank was more or less sold out last night, with bonds trading at a level of less ¾-¾. The issue was swapped into D-Marks.

The primary Swiss market showed a small improvement, with the City of Montreal's bond – which carries a 7¼ per cent coupon – rising ½ to less 1½.

In the UK, a $150m deal with warrants for Nissan Shatai was trading at 100⅛ after being brought to the market by Daiwa Europe.

● Foreign securities firms took nearly 32 per cent of the Y236.8bn in Japan government 10-year bonds auctioned on Tuesday, Reuter reports.

Salomon Brothers Asia bought Y72bn and CS First Boston (Japan) Y3bn.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees	Book runner
STERLING						
Leeds Permanent B.Soc.(a)‡◆	250	10bp	100	1997	15/10bp	Deutsche Bank Cap.Mkts
PHH Funding No.1(b)‡◆	50	(b)		1995	n/a	Commerzbank
US DOLLARS						
Nissan Shatai♦	150	(2¼)	100	1994	2¼/1½	Daiwa Europe
Daishinpan Co.♦	100	(2¾)	100	1994	2¼/1½	New Japan Secs.
Suntory Netherlands(c)◆	43	9	101⅛	1992	1⅛/⅝	Mitsui Finance Int.
Nichimen Europe(c)◆	25	9⅜	101⅝	1993	1⅝/1⅜	IBJ Int.
Gold Mines Kalgoorlie(d)§◆	65	7½	100	2000	2½/1½	Morgan Stanley Int.
D-MARKS						
Daishinpan Co.♦	100	(1⅝)	100	1994	2¼/1⅜	Deutsche Bank
Ihara Chemical Industry♦	40	(1⅝)	100	1994	2¼/1⅜	Daiwa Europe (Germany)
SWISS FRANCS						
LKB Baden-W'berg(c)★★◆	50	7⅜	100¾	1995	1⅜	SBC
Credit Agricole(c)★★◆	50	7½	101	1995	1⅜	SBC
Nippon Filcon Co.(e)★★§	50	Zero	100	1994	1⅝	Daiwa (Switzerland)
Hirano Tecseed Co.(f)★★§	25	Zero	100	1994	1½	Nomura Bk (Switzerland)
YEN						
Nippon Oil Finance(g)◆	10bn	8	101⅝	1994	1⅝/1⅛	Daiwa Europe
Suntory Netherlands(g)◆	10bn	12	101⅝	1994	1⅝/1½	Daiwa Europe

★★Private placement. ♦With equity warrants. §Convertible. ‡Floating rate notes. ◆Final terms. a) Coupon pays 10bp over 3-month Libor. Non-callable. b) Coupon pays 50bp over 1-month Libor first four years, then 100bp over next six months and 150bp over thereafter. c) Non-callable. d) Amount increased from $50m. Conversion price A$1.37. Exchange rate 0.7702. e) Yield to put 3.248%. f) Yield to put 3.479%. g) Redemption linked to Nikkei stock index.

Cold turkey for the junk bond specialists

Janet Bush on the latest shake-out among Wall Street investors chasing high yields

The US high yield bond market has entered yet another crisis, heightening concerns about the financial health of companies with large holdings of junk bonds trading at enormous discounts.

The latest bout of selling, the worst since the collapse of the planned buy-out of UAL last October, was triggered by the surprise news last Friday that Moody's Investors Service, the US credit rating agency, had downgraded $19.5bn of RJR Nabisco debt.

On Friday and Monday, some pay-in-kind RJR bonds, focused on by Moody's and which pay interest in more bonds rather than cash, plunged by more than 20 points. Cash-paying bonds also fell sharply but not as far as PIKs. RJR junk bonds had been regarded as one of the blue chips of the high yield market – if that is not a contradiction in terms – among the most credit-worthy and most liquid issues.

On Tuesday, RJR bonds recovered quite smartly, but buying in the broad market was very selective.

The latest setback for junk bonds could be a serious blow to a handful of insurance companies and several troubled thrifts which were among the most enthusiastic customers of Mr Michael Milken, the former head of junk bonds at Drexel Burnham Lambert now facing trial for securities fraud. These businesses are now stuck with huge holdings of some of the "junkiest" high-yield bonds.

There were some worrying developments on these lines last week. First Executive, the Los Angeles-based insurer, said it expected to take a year-end charge of as much as $515m for defaults and losses in the bond market and that, even after the charge, the market value of its $14bn bond portfolio – an estimated $8bn of which is junk bonds – was $1.4bn less than its book value.

Also last week, the Office of Thrift Supervision ordered a five-day suspension of trading in shares of Miami-based thrift CenTrust, another member of Mr Milken's privileged network of junk bond buyers. This move could presage the thrift being placed in government receivership.

The Office claims that CenTrust would be insolvent but for false accounting, arguing that the thrift classifies most of its portfolio as commercial loans rather than securities and is therefore disguising the fragile nature of its investments. CenTrust is estimated to hold $922m in junk bonds.

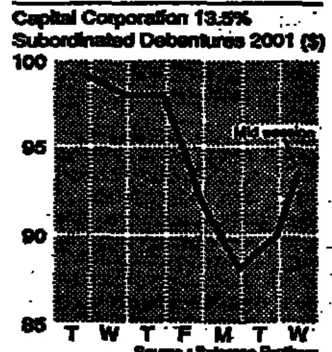
Apart from Drexel Burnham Lambert itself, whose business relied heavily on junk bond underwritings and which has been left with huge holdings of discounted bonds, thrifts and insurers are most exposed to a sustained depression in the market.

Insurers are estimated to hold around 30 per cent of all junk bonds. Thrifts became eager buyers of junk bonds (and other speculative investments such as in real estate) after former President Ronald Reagan substantially deregulated the industry to supplement the meagre income from their traditional lending business.

They have been ordered to get rid of all their junk bond holdings by 1994 as part of the

RJR Nabisco

Capital Corporation 13.5% Subordinated Debentures 2001 ($)



Source : Salomon Brothers

bail-out of the savings and loan industry. Ironically, that deepened the financial troubles of those thrifts heavily involved in the junk bond market, which was seriously undermined by the prospect of this enforced selling.

Thrifts are required by law to "mark to market" their portfolios; that is, account for them strictly according to their market value. It is estimated that in the final three months of last year, some thrifts were forced to write down the value of their junk bond holdings by 30 per cent, leaving many with dire equity shortages.

Most of those worst hit were part of Mr Milken's unofficial junk bond "network." This was a group of institutions which were loyal buyers of bonds underwritten by Drexel. They were partly encouraged, it seems from evidence now emerging in Federal investigations of failed thrifts such as Lincoln Savings and Loan, by sweeteners such as cut-price blocks of stock in junk bond issuers.

Members of the inner circle tended to have a much higher proportion of their assets – as much as 60 per cent – invested in junk bonds than other institutions.

Some major corporations started cutting their high yield holdings some months ago as the first defaults emerged. Many high-yield mutual funds have also raised the cash portion and lowered the junk bond portion of their portfolios.

The Fidelity High Income Fund, for example, is believed to have had 15 per cent of its portfolio in cash even before this week, when it was reported as a heavy seller of RJR Nabisco bonds.

Last week, a Fidelity representative said that nobody at the Boston-based investment manager was prepared to talk about the junk bond market "because it let too many cats out of the bag."

These are sensitive times, but opinion is divided on how much more financial trouble will emerge.

A body of opinion argues that, even before the latest selling, the market had over-reacted to some well-publicised problems such as the bankruptcy filings by Campeau Corp's US retail subsidiaries this month.

Mr George Klein, a vice president at Kemper Financial Services Asset Management, which sells high-yield bonds to institutional clients, says: "We haven't just seen the tip of the iceberg: we have seen well under the waterline already."

He believes that it was mostly weaker credits which were sold in a panic last October, leaving higher quality and more liquid issues which offer "unbelievable rates of return." He reckons there is a great deal of risk and venture capital waiting to come into the market once it has stabilised, and that good quality credits such as those in RJR Nabisco have bounced back well from previous sell-offs.

Others are not so sanguine. Mr Weston Hicks, an insurance industry analyst at Moodys, believes that financial troubles because of exposure to the junk bond market could be widespread.

He says: "A company such as First Executive is going to meet its obligations, but there is still a troublesome degree of uncertainty." He says that well-publicised woes because of the junk bond market could rattle holders of life policies, who could start to cash in their policies. He notes that First Executive has a large stockpile of cash, suggesting that the company realises how great the risk is.

Moodys' 1990 Global Outlook, published last week, predicted record defaults this year and a further worsening in credit quality of companies. That, combined with further selling in the junk bond market, could produce a devastating ripple effect on junk bond holders.

Mr John Kriz, another Moody's analyst, adds: "For years, people declared how deep and liquid the market was, but it simply isn't true. The fact that a few companies like Lincoln Savings & Loan have lost their buying power and that this has had such a severe effect on the market just demonstrates how fragile it is."

Property group in £50m issue

By Martin Dickson

AN INNOVATIVE £50m issue of floating rate notes, with many features of a property securitisation, has been arranged for PHH Property Services of the UK by Commerzbank.

The five-year issue of limited recourse, asset-backed secured bonds is being privately placed and has no rating. It will be quoted on the Luxembourg Stock Exchange. Commerzbank is the sole manager.

Interest payable for the first four years will be 50 basis point over one-month Libor, rising to 100 points for the next six months and 150 for the remaining life.

Swindon-based PHH Property, a subsidiary of a US company, buys show houses on developments from builders and then licences the builder to continue using the properties as sales aids until the development is completed. This frees the capital the builder has tied up in the show houses. PHH's clients include some of the UK's biggest building contractors.

The interest on PHH's notes is solely by recourse to the licencing contracts with the builders. Repayment of capital is solely by recourse to the eventual sale proceeds of the houses and insurance which protects bondholders against a fall in house prices.

Citic offers banks high margin on HK Telecom deal

CHINA International Trust and Investment Corporation (Citic) will offer banks a higher margin than ever for its HK$8bn (US$1bn) package to take a 20 per cent stake in Hongkong Telecom, bankers told Reuters.

The financial package includes a HK$5.4bn conventional loan and a US$224m zero coupon facility, which will be swapped into a floating rate facility by the local arm of Barclays.

The 10-year loan carries interest of 1 point over the Hong Kong interbank offered rate. The five-year zero coupon facility carries a fixed 10 per cent rate, but with a margin of about 65 basis points over London interbank offered rate (Libor) after being swapped into a floating rate facility.

The front-end fee is 1 per cent of the allotted amount, and the underwriting fee is 0.35 to 0.45 per cent.

However, the deal could be in jeopardy if key Chinese and Hong Kong banks do not participate. Bankers said that Peking's Bank of China group and Hongkong and Shanghai Banking Corporation, the colony's main bank, had not indicated whether they would join the loan.

"It's impossible without the Hongkong Bank and Bank of China's presence in such a huge Hong Kong dollar funding," a Japanese banker said.

Local bankers initially thought Japanese bank participation was crucial, but Hongkong Bank and Bank of China are now seen as more important, a local merchant banker said.

"We have received no signal from our Beijing office to join the deal," one banker from the Bank of China group said. "I think it's a result of the power struggle in Beijing."

This official said that the local office of Citic, China's overseas investment business, jumped at the chance to buy into HK Telecom – without the consent of the Chinese authorities concerned.

"I understand Citic is trying to do something in Beijing now, so I can't rule out the possibility that we may receive orders to join suddenly, someday, sometime," he said.

In previous fundings Citic paid a margin of around 0.8 point for its AsiaSat loan, a US$50m facility for funding participation in a satellite project.

LONDON MARKET STATISTICS

FT-ACTUARIES SHARE INDICES

These indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

EQUITY GROUPS & SUB-SECTIONS. Figures in parentheses show number of stocks per section

		Wednesday January 31 1990						Tue Jan 30	Mon Jan 29	Fri Jan 26	Year ago (approx)
		Index No.	Day's Change %	Est. Earnings Yield% (Max.)	Gross Div. Yield% (Act at (25%)	Est. P/E Ratio (Net)	xd adj. 1990 to date	Index No.	Index No.	Index No.	Index No.
1	CAPITAL GOODS (203)	892.64	+0.3	12.73	4.78	9.58	1.34	890.38	897.87	895.38	894.06
2	Building Materials (27)	1095.13	+0.6	14.38	5.16	8.67	0.36	1088.90	1087.22	1088.64	1109.64
3	Contracting, Construction (36)	1511.00	-0.1	16.42	5.22	7.97	0.14	1511.92	1519.31	1522.72	1454.21
4	Electricals (10)	2586.74	+0.9	10.40	4.81	12.00	0.00	2562.49	2585.17	2577.82	2617.88
5	Electronics (30)	1935.00	+0.3	9.26	3.73	13.96	9.76	1929.66	1959.26	1949.50	2015.03
6	Engineering-Aerospace (8)	454.39	+0.3	13.31	4.86	9.23	0.04	453.00	454.54	453.79	0.00
7	Engineering-General (45)	476.49	+0.2	11.74	4.92	10.28	0.34	475.71	479.02	478.64	0.00
8	Metals and Metal Forming (6)	466.05	+0.9	25.30	6.45	4.46	0.00	461.89	471.43	465.47	512.24
9	Motors (16)	381.03	-0.2	13.92	5.54	8.43	0.00	381.81	383.77	382.28	301.43
10	Other Industrial Materials (25)	1606.46	—	10.49	4.49	11.06	3.00	1606.58	1619.26	1617.44	1512.98
21	CONSUMER GROUP (178)	1280.96	—	8.81	3.71	14.19	2.10	1281.10	1286.50	1280.52	1162.99
22	Brewers and Distillers (22)	1509.91	+0.2	9.28	3.48	13.29	6.54	1507.50	1515.37	1522.47	1270.55
25	Food Manufacturing (19)	1125.91	+0.2	9.52	3.93	13.07	1.70	1124.16	1129.61	1124.89	1039.04
26	Food Retailing (16)	2314.04	—	8.77	3.28	14.80	3.63	2313.47	2297.21	2291.44	2062.85
27	Health and Household (13)	2503.30	-0.7	6.26	2.61	19.04	0.20	2520.52	2545.09	2522.27	2073.21
29	Leisure (33)	1626.40	+0.1	8.27	3.64	14.89	0.54	1624.27	1626.85	1612.65	1532.52
31	Packaging & Paper (14)	578.77	+0.3	11.42	4.97	10.99	0.90	576.99	576.86	576.51	584.92
32	Publishing & Printing (17)	3589.18	+0.8	8.74	4.92	14.78	20.50	3562.30	3566.99	3556.66	3698.45
34	Stores (31)	781.15	+0.2	11.17	4.81	11.65	0.25	779.58	784.84	777.82	781.37
35	Textiles (13)	516.29	-0.3	11.20	5.80	10.83	0.00	517.79	519.69	515.62	519.04
40	OTHER GROUPS (103)	1173.69	+0.5	10.89	4.75	11.01	0.30	1168.20	1172.79	1163.40	1030.27
41	Agencies (16)	1526.90	-0.8	6.86	2.19	17.92	0.05	1539.30	1553.96	1554.38	1193.27
42	Chemicals (22)	1200.44	-0.1	12.63	5.36	9.33	0.27	1201.88	1213.73	1205.56	1173.93
43	Conglomerates (13)	1612.20	+0.1	11.15	6.08	10.54	0.00	1610.90	1617.69	1604.53	1422.87
44	Transport (13)	2297.43	+0.4	10.53	4.18	12.10	2.88	2287.65	2291.28	2263.53	2176.01
46	Telephone Networks (2)	1233.93	+1.4	10.29	4.15	12.63	0.00	1216.36	1221.11	1198.61	1127.56
47	Water (10)	2021.59	+0.7	17.24	6.70	6.42	0.00	2007.57	2000.79	1989.53	0.00
48	Miscellaneous (27)	1869.11	+0.5	9.48	4.39	11.90	0.91	1860.33	1861.73	1867.47	1415.75
49	INDUSTRIAL GROUP (484)	1164.67	+0.2	10.42	4.29	11.74	1.37	1162.31	1168.09	1162.20	1074.16
51	Oil & Gas (16)	2423.95	+2.4	8.90	4.71	14.04	6.21	2367.60	2371.12	2356.42	1952.62
59	500 SHARE INDEX (500)	1269.30	+0.5	10.20	4.36	12.11	1.75	1262.84	1268.48	1261.08	1148.86
61	FINANCIAL GROUP (114)	849.03	+0.6	–	5.01	–	0.35	843.81	838.01	833.02	749.32
62	Banks (9)	899.70	+0.9	19.05	5.58	6.90	0.00	891.59	881.86	872.31	748.03
65	Insurance (Life) (7)	1438.74	+0.7	–	4.62	–	0.00	1428.89	1401.55	1398.94	1051.32
66	Insurance (Composite) (7)	718.43	+1.0	–	5.26	–	0.00	711.22	705.83	703.14	599.96
67	Insurance (Brokers) (6)	1152.42	-0.3	6.41	5.47	20.76	0.00	1156.27	1142.32	1144.67	1042.04
68	Merchant Banks (8)	481.83	+0.6	–	3.69	–	0.00	478.84	481.87	479.88	342.93
69	Property (49)	1183.23	+0.1	7.75	3.64	16.33	0.94	1181.85	1190.29	1183.77	1299.10
70	Other Financial (28)	332.65	-0.4	12.66	6.33	10.35	1.44	333.92	333.34	333.19	381.90
71	Investment Trusts (68)	1229.40	+0.1	–	2.97	–	0.45	1228.12	1229.97	1226.90	1056.41
91	Overseas Traders (5)	1414.49	-0.5	10.76	6.46	10.93	30.79	1421.33	1431.55	1472.40	1365.93
99	ALL-SHARE INDEX (687)	1167.15	+0.5	–	4.42	–	1.55	1161.24	1164.32	1158.48	1050.20

	Index No.	Day's Change	Day's High (a)	Day's Low (b)	Jan 30	Jan 29	Jan 26	Jan 25	Jan 24	Year ago
FT-SE 100 SHARE INDEX‡	2337.3	+15.3	2337.4	2314.9	2322.0	2328.8	2314.5	2289.9	2278.6	2039.7

FIXED INTEREST

	PRICE INDICES	Wed Jan 31	Day's change %	Tue Jan 30	xd adj. today	xd adj. 1990 to date
	British Government					
1	Up to 5 years	115.26	+0.07	115.18	–	1.33
2	5-15 years	125.06	-0.10	125.19	–	1.31
3	Over 15 years	134.51	-0.29	134.90	–	0.00
4	Irredeemables	151.67	-0.05	151.75	–	0.00
5	All stocks	124.41	-0.06	124.49	–	1.19
	Index-Linked					
6	Up to 5 years	141.39	+0.03	141.36	–	0.00
7	Over 5 years	137.70	+0.01	137.69	–	0.47
8	All stocks	137.86	+0.01	137.85	–	0.44
9	Debentures & Loans	102.64	....	102.63	–	0.35
10	Preference	82.20	-0.06	82.25	–	0.16

	AVERAGE GROSS REDEMPTION YIELDS		Wed Jan 31	Tue Jan 30	Year ago (approx.)
	British Government				
1	Low	5 years	10.67	10.67	9.12
2	Coupons	15 years	10.24	10.22	8.91
3		25 years	10.12	10.09	8.85
4	Medium	5 years	11.72	11.72	10.14
5	Coupons	15 years	10.63	10.59	9.36
6		25 years	10.24	10.21	9.03
7	High	5 years	11.85	11.86	10.39
8	Coupons	15 years	10.83	10.80	9.51
9		25 years	10.38	10.35	9.12
10	Irredeemables		10.17	10.16	8.87
	Index-Linked				
11	Inflation rate 5%	Up to 5yrs.	4.06	4.06	3.56
12	Inflation rate 5%	Over 5 yrs.	3.78	3.78	3.63
13	Inflation rate 10%	Up to 5 yrs.	3.15	3.15	2.71
14	Inflation rate 10%	Over 5 yrs.	3.61	3.60	3.47
15	Debs &	5 years	13.30	13.30	11.60
16	Loans	15 years	12.69	12.69	11.19
17		25 years	12.68	12.68	10.79
18	Preference		11.29	11.28	10.09

‡Opening index 2314.9; 10 am 2324.9; 11 am 2325.8; Noon 2332.4; 1 pm 2334.9; 2 pm 2334.7; 3 pm 2336.1; 3.30 pm 2334.2; 4 pm 2333.5 (a) 4.59pm (b) 9.00am † Flat yield. Highs and lows record, base dates, values and constituent changes are published in Saturday issues. A list of constituents is available from the Publishers, The Financial Times, Number One, Southwark Bridge, London SE1 9HL, price 15p, by post 34p.
NAME CHANGE: Northern American Investment Trust is now Dunedin Worldwide Investment Trust (71).

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	29	49	22
Corporations, Dominion and Foreign Bonds	3	7	27
Industrials	325	350	937
Financial and Properties	147	162	389
Oils	28	23	43
Plantations	2	2	6
Mines	25	61	75
Others	57	88	105
Totals	616	742	1,604

LONDON RECENT ISSUES

EQUITIES

Issue Price p	Amount Paid up	Latest Renunc. Date	1989/90 High	1989/90 Low	Stock	Closing Price p	+or-	Net Div.	Times Cov'd	Gross Yield	P/E Ratio
$100	F.P.	–	101	95	Abtrust New Thai Inv.	97		–	–	–	–
§	F.P.	–	61	45	Do. Warrants	51		–	–	–	–
§75	F.P.	–	91	81	‡Air London 5p	90		R2.25	2.5	3.3	13.6
–	F.P.	–	1½	¾	‡Atlantic Res. Warrants	1	-⅛	–	–	–	–
–	F.P.	–	4½	1	Bear Brand Warrants	3½		–	–	–	–
542	F.P.	–	45	37	*Biocure 1p	37	-1	–	–	–	–
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

FIXED INTEREST STOCKS

Issue Price £	Amount Paid up	Latest Renunc. Date	1989/90 High	1989/90 Low	Stock	Closing Price £	+or-
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

RIGHTS OFFERS

Issue Price p	Amount Paid up	Latest Renunc. Date	1989/90 High	1989/90 Low	Stock	Closing Price p	+or-
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

LONDON TRADED OPTIONS

EQUITY OPTIONS were busy yesterday on the London Traded Options Market, but the "Footsie" contract was relatively dull compared with the previous day's record numbers. The total market traded some 30,000 contracts with 18,021 calls and 12,045 puts. The FT-SE traded 5871 spread between 2,512 calls and 3,359 puts.

In individual stock options, BP again featured and was the day's highest option with a total of 3,854 contracts. Much of the trade was professional business in the July 330 and July 360 calls. These series traded the highest numbers, with 1,023 and 2160 respectively. The business was primarily a two-for-one trade with a buyer of 2,000 July 360 calls and a seller of 100 July 330 calls for level money.

British Telecom also traded high volumes with a total of 2,603 contracts. Business here was mostly in two-way spread trading in puts. The puts total was 2,199 contracts compared with only 404 puts.

Shell Transport and Trading also featured with a volume of 1,320, all but 135 of which were calls. The May 330 and May 390 calls were popular in Cadburys with a spread buyer in these series. There was also some buying in February calls. Cadbury traded a total of 1,131 contracts, but only 19 in the puts.

United Biscuits October, July and April puts were active. Again, there was a time spread bargain, with a broker buying October 330 puts and selling the July 330 against it; another broker was in the market buying October and selling April. Total United Biscuits volume amounted to 1,055 contracts, all but two on the puts side.

Dixons March 130 calls were active, trading 560 of the total volume of 620 contracts – all call business. In the March 130 calls there was a buy trade of 500 contracts. The March 140 calls in Thames Water were also noted.

Open interest on the day was 778,943 for all classes and 145,912 for the Footsie.

Option	CALLS	PUTS
[illegible]	[illegible]	[illegible]

TRADITIONAL OPTIONS

● First Dealings Jan 22
● Last Dealings Feb 2
● Last Declarations Apr 26
● For settlement May 8

For rate indications see end of London Share Service

Calls in Robert Horne, Colorol and Saatchi & Saatchi. Puts in Stanley Miller and Crest Nicholson.

WH Smith slides 16% to £35m

By Maggie Urry

A FALL in interim profits at WH Smith was dismissed by Sir Simon Hornby, chairman, who said he believed the results were good, and showed strong growth in the retail group's continuing businesses.

However, the figures disappointed the stock market and the A shares fell 4p to 317p.

At the pre-tax level, profits in the 26 weeks to December 2 were 16 per cent down to £35.1m, compared to a restated £41.8m. However, trading profits from continuing businesses rose 13 per cent to £47m.

Sir Simon said the decline had been caused by the absence of £4.5m of profits from businesses sold, the effect of comparing 26 weeks with a 27-week period which cost £2m, a £5.3m rise in the interest charge to £11.8m, and the absence of property profits which contributed £2.4m in the 1988 period.

However, within the core businesses, profits from the Do It All chain fell and losses in the television services division rose.

The group's high street retailing businesses increased sales by 13 per cent to £499.7m and trading profits by 22 per cent to £33.8m, figures achieved, Sir Simon said, in spite of the general gloom in the high street. The group's travel business marginally reduced its losses.

Tough trading conditions in the DIY market cut profits at Do It All from £8.3m to £5.1m. Sir Simon said the chain was continuing to expand, with a target of 200 shops, against the present 116, and aiming to increase sales per square foot by turning frustrated purchasers into satisfied customers.

The wholesaling business raised profits by 57 per cent to £11.3m, reversing the fall seen in the previous year after the loss of the News International business.

Sir Simon said the group's market share had risen and when News International recently decided to return to wholesalers, WHS had won 25 per cent of the business.

Trading losses in the television area rose from £1.8m to £3.2m. Sir Simon said the purchase of space on the Astra satellite had cost £39m, and contributed £2.9m to the rise in interest charges. The group has so far invested £60m in television, and Sir Simon said it was hard to say when the division would break even, though it might be within 18 months to two years.

During the period £93m had been spent on acquisitions and £37m raised through disposals. Mr Malcolm Field, managing director, said that there would probably be no further deals in the second half, barring a possible acquisition in the US.

Fully diluted earnings per share, excluding property profits, fell 2.5 per cent to 11.9p. The interim dividend is raised 11 per cent to 4p, which Sir Simon said reflected the board's confidence that the underlying business was strong.

See Lex

AFI takeover defence costs hit profits

By Andrew Hill

The cost of defending Amalgamated Financial Investments against a management takeover helped push up administrative expenses at the small investment company from £118,000 to £147,000 in the six months to September 30.

At the same time, losses on the sale of AFI's stake in Bestwood, the housebuilding and engineering group, contributed to a fall in first half profits from £429,000 to £103,000 before tax. There was a net loss of £22,000 on the sale of investments, compared with a profit of £189,000 in the equivalent period.

Mr John Scholes, AFI's chairman and largest shareholder, has spent much of the last year fighting off attempts by three dissident shareholders to join the board. Their last effort was defeated in November at an extraordinary meeting.

Mr Scholes refused to quantify the cost of the battle, but said yesterday that a "significant proportion of the administrative expenses were attributable" to it.

Interest received on AFI's substantial cash deposits jumped from £102,000 to £254,000 in the period. Earnings were down to 0.15p (0.87p) and no interim dividend is declared.

AFI's £12m portfolio mostly consists of illiquid investments which bear no income. Mr Scholes repeated his conviction yesterday that AFI shareholders invested in the company in the "reasonable hope of a very substantial increase" in the value of their shares.

Moorfield Estates

Moorfield Estates returned annual pre-tax profits of £1.91m (£1.33m).

Earnings increased from 11.4p to 14.5p and a final dividend of 2.55p makes a 3.75p (1.575p) total.

Platignum acts against auditors

By David Owen

PLATIGNUM, the pens, furniture and houseware group, is taking legal action against Grant Thornton, its former auditors, in relation to the company's profit forecast to March 31 1989 which it said had been "founded on information subsequently proven to be materially incorrect."

The development emerged as the Hertfordshire-based company reported pre-tax profits of £209,000 for the six months to September 30 1989.

The group billed the latest figures as confirmation that it was "firmly on the road to sound health after the problems of recent years." The result was achieved in spite of the consumer downturn which ate into turnover in the furniture division.

Mr Stephen Quinn, chief executive, estimated the amount being sought from Grant Thornton as "somewhere between £500,000 and £2m." However, the extent of the damages had not yet been quantified, he said.

In September, Platignum announced pre-tax losses of £2.94m for the 14 months to end-March. This compared with a profit forecast of £174,000.

Actions taken to reduce borrowings were a major factor behind the current improvement. Borrowings were cut from near to £5m at March 31 1989, to £3.3m at the end of the period under review and £2.1m at present.

In addition, efforts to exert better control over stock levels and debt management in all divisions paid off. The restructuring of the housewares unit – which nonetheless made a small loss for the half-year – also played a part.

Stationery contributed the lion's share of profits. The furniture division also made a profit, buoyed by its high quality market niche and long order books.

In spite of shortening in the autumn, these order books are again starting to build up, according to Mr Quinn.

Overall turnover slipped to £11.21m in the six months to July 31 1988 when the group had a pre-tax loss of £129,000. Earnings per share were 0.1p against a loss of 0.14p.

No dividend was declared. The group is "looking into the possibilities" of a capital reconstruction incorporating a change in share structure, Mr Quinn said.

The company warned that comparisons with the unaudited figures for the period to July 31 1988 should be treated with "extreme caution."

Caldwell closes subsidiary

By David Owen

CALDWELL INVESTMENTS, the Third Market-quoted holding company with interests in the import and distribution of clothing, has decided to close its Priorsource subsidiary.

The move comes less than a month after the placing into creditors' voluntary liquidation of GR Frankel (Overseas) – another Caldwell subsidiary.

A meeting of Priorsource creditors has been convened for February 19. The subsidiary was incorporated in April 1988, acquiring the woollens and casual wear division of M. Edelson, a furs company, one month later.

The other companies owned by Caldwell, which yesterday refused to comment on the developments, are Rocrol of Gibraltar and West German-based Nissel Textilien, according to the annual report for the year ended June 30 1988. Nissel is on the published list of GR Frankel creditors at the amount of £23,500.

Caldwell shares, which have traded in a 17p-28p range over the past year, closed unchanged at 22p.

In the six months to December 31 1988, Caldwell reported pre-tax profits of £43,000 – a 57 per cent decline from year-earlier levels. The group, which traces its origins to a company with the unlikely name of Dumpton (Thanet) Greyhounds, blamed rising interest rates and unseasonably warm winter weather for the sharp fall. Turnover slid 7 per cent to £2.78m.

The company has now moved its accounting reference date, thus extending the next accounting period by four months to October 31 1989.

For the period from April 6 to July 1 1988, Priorsource had pre-tax profits of £11,859 on turnover of £55,502.

Mr Stanley Wootliff, Caldwell chairman, formerly occupied a similar position at WL Pawson, a Leeds-based clothing manufacturer which went into receivership in 1982.

As at October 31 1988, Mr Wootliff held 740,357 ordinary 10p Caldwell shares. At June 30 1988, a total of 5.2m such shares were allotted, issued and fully paid.

GR Frankel (Overseas) is estimated to have disposable assets of £131,434 and unsecured creditors of £275,507.

The published list of creditors is headed by Banque Indosuez and National Westminster Bank with £135,000 and £81,000 respectively. The aggregate sum for trade creditors is put at £58,000.

Legal proceedings were issued against the subsidiary by Mr George Frankel, a former director, on June 28 1988. Mr Frankel claimed that his service contract with the company was wrongfully terminated.

Caldwell said in a subsequent circular that the proceedings were being "vigorously defended.

"The directors do not consider the outcome of those proceedings will have any material effect on the group's financial position," it added.

Farmers buy at odds with Axa's previous objectives

By Nikki Tait in Chicago

AXA-MIDI Assurances, the French-based insurance company, was looking to spend only $1bn (about £600m) on expanding into the US as late as last May, according to documents filed into the Illinois insurance commissioner's hearing late on Tuesday.

It also wanted to acquire a company with no life assurance involvement, no medical malpractice exposure, little reliance on auto business and "not overly dependent" on California.

Axa has subsequently emerged as the prospective buyer of Farmers Group, BAT Industries' US insurance subsidiary, should Sir James Goldsmith's Hoylake consortium make a successful bid for the UK parent company. Axa is pursuing regulatory clearances from nine US state insurance departments. Illinois is the first to hear the case.

If the Hoylake deal goes through, Axa will pay $4.5bn for Farmers. Farmers is based in California, does 40 per cent of its business there and is the third largest private passenger auto insurer in the US. It also takes in three life companies and medical professional liability insurance.

The documents filed by Farmers' lawyers comprise an internal Axa briefing memo, dated March 1989, and a summary of the group's US expansion objectives which Farmers' lawyers claim was presented to Lazard Frères in May. Lazard Frères was advising Axa on possible US acquisitions.

In the latter document, Axa said it was seeking a property and casualty insurance business, with a preference for upper range personal lines and a geographical base in the mid-western states. It wanted a strong distribution network of exclusive agents and good management. The acquisition budget was "around $1bn" and Axa was looking for an expected return on investment of 10 per cent.

The earlier document questions whether it was wise to go into the US at all. It concluded, however, that:

- "insurance is a necessary part of business activity";
- certain niches were attractive;
- in mid-1990 the property and casualty cycle should be at a low point;
- and there could be currency advantages.

Questioned about the documents, Mr Pierre Barberis, Axa's deputy chairman, said Axa-Midi's acquisition budget was limited until the policy of moving out of Midi's non-insurance assets was established in early 1989. He also described many of the stipulations as "the ideal thing", adding "there is also the real world".

Guinness buys US importer of premium beer for $21m

By Philip Rawstorne

GUINNESS yesterday announced that it is buying All Brand Importers, a leading US importer and marketer of premium beers jointly owned by Grand Metropolitan and Whitbread, for $21m (£12.5m).

The deal will add further premium beer brands to the portfolio of Guinness Import Company, the group's existing US beer importer, increasing retail sales to more than $300m.

With volume sales doubled to about 15m cases a year, Guinness will be competing with Corona Extra of Mexico, for second place behind Heineken in the US list of beer importers.

Mr Brian Baldock, managing director of Guinness Brewing Worldwide, said yesterday: "We are committed to growing our business in this important market and are delighted to add further premium brands from around the world to the portfolio we already import."

The All Brand imported beers include Moosehead Canadian lager, Dos Equis, Sol and Superior from Mexico, Clausthaler lager from West Germany, and Pilsner Urquell from Czechoslovakia.

Addition of these brands should enable Guinness to benefit from improved marketing capabilities for its existing imports to the US – Guinness stout, Harp lager, Guinness Gold lager, Kaliber non-alcoholic lager and Bass Ale.

All Brand was established as a joint venture in the early 1980s by Heublein, the US drinks group, and Whitbread, which took a 49 per cent share in the venture. GrandMet acquired the majority shareholding when it took over Heublein in 1987.

GrandMet said yesterday that the decision to sell All Brand had been taken because the company did not fit into the group's US strategy. GrandMet distributes Watney's, Webster's and Ruddles beers in the US through Watney Export in New Jersey, and has not been using All Brand for the marketing of any of its products.

Whitbread agreed to the sale for similar strategic reasons. Relatively small volumes of Whitbread Ale and Mackeson stout have been exported to the US through All Brand. No decision has yet been taken about the future distribution of these brands but it seems unlikely that Guinness will handle them because of the uneasy fit with Bass Ale and Guinness stout.

The deal, in which Guinness will acquire the entire share capital of All Brand, is expected to be completed within a month.

Allied Textile rises to £13.3m

By Vanessa Houlder

ALLIED TEXTILE Companies yesterday announced a 12 per cent increase in pre-tax profits from £11.86m to £13.29m for the year to September 30. Turnover increased by 4 per cent from £100.24m to £104.54m.

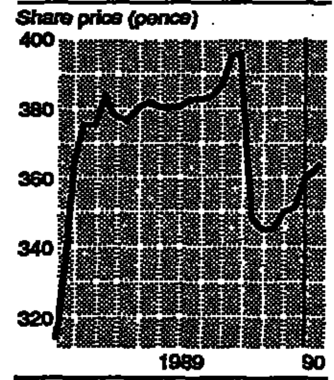
The Huddersfield-based company said it thought it was "uniquely well placed" due to the complementary strengths of its manufacturing and financial activities. Given a continuation of high interest rates and a deepening of the recession in the UK textile industry, there would be increased financial gains to set against any less buoyant performance in its manufacturing activities, it said.

Profits from its financial interests increased from £2m to £3.3m. There was an increase in cash and investments from a book value of £29.7m in 1988 to £37.6m at the end of the year.

In the textile business there was a downturn in the results from a worsted spinning mill and a knitwear business that together account for about 10 per cent of the total. The businesses were now attempting to cut costs, said Mr Russell Smith, chairman.

Allied Textile

Share price (pence)



Benefits from Hugh Mackay, the Durham-based carpet manufacturer, are not expected until 1991. Two weeks ago Allied Textiles made an agreed bid for Mackay of £7.6m – just a third of the price it was prepared to pay 14 months ago when it aborted its bid.

Earnings per share increased from 31.6p to 34p. A final dividend of 7.4p (6.8p) was recommended, making a total for the year of 11.5p (10.6p).

● COMMENT

If Allied Textile is – as the chairman puts it – a stock for a rainy day, its time has surely come. The same cash pile that made it appear sluggish and unadventurous in better years makes it well placed to withstand the pressures of high interest rates and a deepening recession in the UK textile industry. And even though its textile interests may struggle to stand still this year they are performing better than most in the industry. That should continue given the company's tough financial disciplines, low exposure to commodity areas and concentration in specialist niches. Accordingly, it is not surprising that Allied enjoys a higher multiple than most in its sector. The shares, which rose 4p to 364p yesterday, are fairly valued on a p/e multiple of 9.5 assuming profits of £14.75m this year.

Worthington profits ahead to £217,000

AJ Worthington (Holdings), the Staffordshire-based textile group, yesterday announced pre-tax profits more than doubled to £217,000 for the six months to end-September.

The directors said that trading conditions were more competitive and remained so, sales were being maintained. The outcome – up from £99,000 in the corresponding period of 1988 – was achieved on turnover 5 per cent lower at £1.92m (£2.02m).

Earnings per 10p share emerged at 1.7p, down from 1.9p last time.

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corres-ponding dividend	Total for year	Total last year
Allied Textile ....fin	7.4†	-	6.8	11.5	10.6
Cent Motor Auct ......fin	2.25	Apr 2	2	3.25	2.75
Colorvision § ....fin	2.95	-	2.6*	4.9	4.33*
Cray Electronics........int	nil	-	1.052	-	4.302
Lister ....int	1	Apr 9	1	-	4
Moorfield Ests §........fin	2.55	Apr 6	1.575	3.75	1.575
Optical/Medical ....int	1.75	Mar 31	1.65	-	5.11
Prism Leisure § ....int	1.5	Mar 6	1.5	-	4.5
RCO ....fin	5.4	Apr 2	4.0	8.1	6
Smith (WH) ....int	4	-	3.6	-	10.4
UPL ϕ ....int	nil	-	1	-	2.75

Dividends shown pence per share net except where otherwise stated. *Equivalent after allowing for scrip issue. †On capital increased by rights and/or acquisition issues. §USM stock. §§Unquoted stock. ϕThird market.

Alfa Romeo to take control of its distributor in the UK

By Kevin Done and John Griffiths

ALFA ROMEO, the performance car division of Fiat of Italy, is to take control of Alfa Romeo (GB), its UK importer and distributor, from Tozer Kemsley & Millbourn (Holdings), the motor vehicle distribution and retailing group controlled by Sir Ron Brierley.

Alfa Romeo is to buy a further 60 per cent of Alfa Romeo (GB) from TKM increasing its holding to 80 per cent. The deal will reverse the present shareholding structure under which TKM has an 80 per cent stake, and Alfa Romeo 20 per cent.

Alfa Romeo's move to take over control of its UK importer comes at a time when its sales in the UK have begun recovering from a low base. Sales volume rose by 14.3 per cent last year to 4,111 from 3,594 in 1988 and fewer than 2,000, when TKM first took over the franchise in early 1986.

TKM said that the change in ownership would allow increased strategic investment in marketing and distribution to expand the Alfa Romeo presence in the UK in the 1990s.

Mr Reg Heath, TKM chief executive, said that Alfa Romeo was planning to invest £5-£10m a year in the next two to three years with the aim of almost doubling its dealer network from 75 to 120-140 and increasing sales to 12,500-15,000. Fiat said that by the mid-1990s it hoped to increase Alfa's UK sales to 25,000.

Mr Heath, who will remain on the Alfa Romeo (GB) board, said the company would retain its current premises at Dover and that no staff changes were envisaged. It would also retain its present import and pre-delivery inspection facilities in Sheerness.

Fiat said there was no plan to combine the Alfa franchise in the UK with its UK Fiat and Lancia operations, which are controlled by Fiat Auto (UK), a wholly-owned subsidiary. Seven months ago Fiat took back control of the UK Lancia franchise from Lancar, a subsidiary of Heron Corporation, which had held it for six years.

Alfa Romeo's move to buy back its UK franchise – for an undisclosed sum believed to be some £1.5 to £2.5m – is part of an established pattern in the European motor industry in which the leading car makers have increasingly sought to take control of their national importers and distributors.

Mr Heath said that Alfa Romeo (GB) had been barely breaking even and the disposal would therefore have little impact on TKM profits.

Last month TKM acquired the exclusive Volkswagen/Audi import distribution concession in Australia.

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether the dividends are interims or finals.

TODAY

Interims- Aerospace Engineering, Harvey & Thompson.

Finals- Fil-Fylles, French (Thomas).

FUTURE DATES

Interims-	
Abingworth	Feb. 9
Courtney Pope	Feb. 23
Fletcher Challenge	Feb. 20
Orchid Technology	Feb. 12
Finals-	
Commercial Union	Feb. 28
Hunterprint	Feb. 7
Sandell	Feb. 6
Throgmorton USM Trust	Feb. 6

Verson purchase expands its Black Country portfolio

By Richard Tomkins, Midlands Correspondent

VERSON INTERNATIONAL, the West Midlands-based manufacturer of metal forming machinery, has further enlarged its portfolio of Black Country companies with the purchase of Metform Engineering, a privately-owned roll forming equipment maker, for £1.7m.

Metform shares a common customer base with Verson's existing subsidiaries and its output will be introduced to Verson's international network of sales offices.

The deal also includes an option to take a controlling interest in Metform's sister company, Metform International, which makes makes roll forming machinery at a factory in Ontario, Canada.

This option, likely to be exercised for a nominal sum once Canadian formalities have been sorted out, will give Verson a significant toe-hold in the North American market.

Metform's UK operation last year made pre-tax profits of £30,000 after shareholders' payments of £240,000. The Canadian operation lost C$23,000 (£11,500).

The purchase price is being met with a combination of £127,000 cash and 4.25m Verson shares, 3.5m of which will be sold on by brokers Smith Keen Cutler at 37p per share.

Mr Tim Kelleher, Verson's chairman and managing director, is buying 500,000 of the new shares, taking his stake in the group to 38 per cent.

RCO improves 43% to £2.89m

RCO Holdings, the commercial and industrial cleaning group, announced pre-tax profits up from £2.01m to £2.89m in the year to September 29 1989 – an increase of 43 per cent for the second consecutive year.

The result was achieved on turnover ahead 33 per cent to £29.9m (£22.49m).

Earnings per 10p share worked through at 17.23p (12.09p). The recommended final dividend of 5.4p lifts the total for the year to 8.1p (6p).

Mr Robert Eastham, chairman, said that the current year had started well, adding that the company expected figures for the year to exceed those of 1988-89, although the percentage rise in profits would probably not be as high as the last two years.

Calling goodwill and new brand rules into accounts

The ASC today throws down a challenge to industry that may take years to settle. **David Waller** explains

BARRING A last minute hiccup at yesterday's meeting of the Accounting Standards Committee, the ASC will today issue its long-awaited draft rules on accounting for goodwill and brands.

The proposals, which have been well leaked in advance, will have a dramatic effect on the reported earnings of many large companies.

Finance directors at companies as various as Hanson, Trusthouse Forte, Fisons, Cadbury Schweppes and Reed International have already denounced the proposals. SG Warburg, one of the City's leading merchant banks, has come down against them as well, as have some of the large accountancy firms.

And yet the ASC is adamant: the proposals will come out as planned.

The scene is thus set for a fierce debate between industry and setters of accounting standards such as has not been seen in the UK since the 1970s, when the accountancy profession took on industry over accounting for inflation, and lost.

Still smarting from that protracted, humiliating defeat, the accountants are out to win this time round.

To many observers, the debate will be of merely theological interest: after all, a change in accounting rules should have no impact on the way companies run their business or the way in which investors value those companies. Yet even apparently commonsensical statements such as these are highly contentious in the arcane world of financial reporting.

Today's proposals have to go through a lengthy consultative process before they become rules. For those wishing to follow the dispute over the coming months (years, perhaps) here are some basic questions and answers.

What exactly is goodwill? The word is a technical term to describe the difference between what one company pays for another and the net assets of the acquired company, subject to an adjustment to something called fair value.

Goodwill is particularly prevalent in service-sector companies such as advertising agencies and employment agencies but it has also mushroomed in consumer goods companies. The common factor is that these companies, unlike manufacturing companies, do not derive their profits and cashflows from assets such as factories and machinery but from intangible assets, which include brands, but also people, distribution networks and so forth.

Research from the London Business School shows that goodwill as a proportion of a bidder's net worth rose from 1 per cent to 44 per cent over the decade to 1987. This reflects rising stock market values over the period and the shift in the UK economy from manufacturing to the service sector.

EXAMPLE OF POTENTIAL IMPACT ON PROFITS

	Profit & loss account 1989 £m	Assume £125m pa depreciation cost (£2.5bn over 20 years)	Assume £62m pa depreciation cost (£2.5bn over 40 years)
Sales	9,300	9,300	9,300
Operating costs	(8,300)	(8,425)	(8,362)
Operating profit	1,000	875	932
Interest charges	(250)	(250)	(250)
Pre-tax profit	750	625	682
Tax	(225)	(225)	(225)
Attributable profit	525	400	457
EPS	52.5p	40p	45.7p
P/E ratio (share price 650p)	12.4	16.3	14.2

Source: Yamaichi International

Companies can avoid the goodwill problem altogether by merger accounting, under which the balance sheets and profits of two companies are lumped together as if the two companies had always been one, and goodwill does not arise. But in practice there are many reasons why companies prefer so-called acquisition accounting, under which goodwill does arise and has to be dealt with.

All of the above refers to acquired goodwill, as opposed to internally generated goodwill.

How do companies account for goodwill now? As the rules stand at the moment (as dictated by the Statement of Standard Accounting Practice No. 22), companies have the option to do one of two things with their goodwill: they can write it directly off against their balance sheet reserves, or they can leave it in the balance sheet and gradually write it off against profits.

If it is written off against reserves, the balance sheet shrinks, but profits are unaffected; if left on the balance sheet, reported profits are reduced by the amortisation charge, each year for as many years as it takes to eliminate goodwill from the balance sheet altogether.

The reason why companies do not opt for merger accounting, thus averting the goodwill problem altogether, is that during the process of adjusting for fair values, they are allowed to set up a variety of provisions, usually to cover the costs of reorganising a business in the aftermath of a takeover. Profits are shielded from reorganisation costs and the provisions can be used to bolster profits in the years after a takeover.

Even skilled investment analysts find it difficult to make sense of profit figures flattered by this type of accounting.

What has brand accounting got to do with all this? The rules as they now stand have spawned much jiggery-pokery, and much absurdity. The most common absurdity arose when acquisitive companies wrote large amounts of goodwill through the balance sheet, leaving the balance sheet grossly unrepresentative of the the company's true value.

Leaving aside the argument over whether a balance sheet should represent a company's value, it was undeniably daft to see WPP, the advertising group, with negative net assets of £65m at the end of the year after writing off the goodwill arising on the purchase of JWT Group in 1987. Grand Metropolitan's net assets, excluding brands, stood at £190m at the end of last September, compared to the company's market value of more than £5bn.

Businessmen say that bankers are sophisticated enough to ignore balance sheets when making lending decisions, but they complain that analysts are obsessed with balance sheet ratios such as gearing. Another problem is that balance sheet ratios are still important under company law, and under Stock Exchange regulations: a company's ability to issue shares or make acquisitions may be hampered if its balance sheet is depleted.

The solution for many companies was to capitalise the value of acquired brands, thus bolstering the balance sheet. WPP, for example, attributed a £175m value to the names of J Walter Thompson and Hill & Knowlton and, as a result, assets stood at a positive £61m at the end of 1988. Other companies to have capitalised brand values include Guinness, Ranks Hovis MacDougall.

What difference will the new rules make, if implemented ? Why are companies upset? The new proposals remove the option for companies to use merger accounting, except under narrowly defined circumstances. And they say that companies will no longer be able to write goodwill off against reserves: it will have to be shown on the balance sheet and written off against profits over a maximum of 20 years. Brands will be allowed to be shown on the balance sheet but will have to be written off just like goodwill, thus removing any incentive to indulge in brand accounting.

Companies are upset because reported earnings will fall as a result of the rule change (see table).

Does it matter if reported earnings fall? Not according to the ASC, which points to a weighty body of statistical evidence to show that stockmarkets are clever enough to ignore purely presentational accounting changes. Industrialists and analyst do not agree. Their case is summed up neatly in a recent report from Yamaichi International.

This points out that the accounting change will have a considerable impact not just on earnings but on price/earnings ratios, "the most widely used measure of share price value".

"It seems that, even if this measure ceases to give an accurate guide to a company's share price, the market is unlikely to switch overnight to an alternative primary measure of value, such as cashflow multiples," the report says.

"We believe that the first reaction of the market will be to mark down share prices of those companies most affected. In the longer term, the changes may lead to a re-rating of those companies and sectors, and the use of different measures of share price value."

Which companies will affected? Any acquisitive company.

Colorvision slips to £3.39m as television sales slacken

By John Thornhill

COLORVISION, the television and video retailer, suffered a 6 per cent fall in annual pre-tax profits because of the retail squeeze, lower demand during the hot summer, and a slowdown in its shop opening programme.

Mr Neville Michaelson, chairman, said that the market for televisions fell 12 per cent during the year because of the tightening economy, but that on a comparative basis Colorvision's sales had declined by 10 per cent.

The Liverpool-based company, which last year was shortlisted for the USM's company of the year award, recorded pre-tax profits of £3.39m (£3.62m) in the 12 months to end-September. Turnover was, however, 37 per cent up at £33.59m (£24.58m), reflecting sales from new outlets opened – 15 in all, taking the total to 59. A further 10 shops have been opened since the year end.

Last February, the company entered the satellite system market, but said sales had not been as great as expected because of the confusion created by the two programme companies. Colorvision sells between 250 and 300 Sky satellite dishes a week, but said the market was still uncertain ahead of the launch of British Satellite Broadcasting this year.

Mr Michaelson said the group's financial position remained strong, and with £7m in the bank at the year end it was well placed to take advantage of the shop closures being made by its competitors. Sales in the current year were reported to be higher than last year's levels.

He added that the group's management enterprise scheme, in which individual shop owners kept 20 per cent of the store's profits, would also help to give the company a competitive advantage. "My managers are fighting for survival, they are not just doing a job," he said.

Last September, the company warned that profits would be slightly down on the previous year, but the shares yesterday still yielded 10p to 173p.

Earnings per share fell to 10.7p (11.6p). The final dividend of 2.95p brings the yearly payout to 4.9p (4.34p).

Rowe Evans to absorb Jitra Rubber subsidiary

By Clare Pearson

ROWE EVANS Investments, the Malaysian and Indonesian plantation group, proposes to absorb its Jitra Rubber Plantations subsidiary.

REI said the merger would produce a more tax-efficient group structure and remove the costs of administering a separate public company, which rarely saw its shares traded.

Jitra is currently 52.34 per cent owned by REI. Irrevocable undertakings to accept have been received from investors holding about 31.96 per cent of the Jitra stock.

Minority holders will receive 11 new REI ordinary shares for every 12 of the Jitra stock units they own. On the basis of yesterday's REI price of 64p the consideration values each Jitra stock unit at 58.7p and the whole of the company at about £6.5m. Jitra's market price yesterday was 50p.

Jitra's principal investments are to be retained by REI and it is intended that the board will remain as constituted for the time being.

REI saw its pre-tax profits fall to £1.74m (£1.84m) in the half-year to end-June 1989, when Jitra incurred a pre-tax loss of £8,636, against a £21,557 profit.

Sanderson Murray in the red

Sanderson Murray and Elder (Holdings), the wool and man-made fibres group, incurred a pre-tax loss of £149,000 in the half year to December 31 compared with a previous profit of £36,000.

The loss was struck after crediting investment income of £14,000 (£16,000), bank interest of £68,000 (£44,000), surplus on realisation of investments of £13,000 (nil) and an exceptional item of £110,000 (nil), reflecting the sale of its woolcombing plant.

Turnover was down from £2.64m to £2.2m; the loss per share was 7.8p against earnings of 1.6p.

CMA raising £3m to expand as profits go up 29%

By John Murrell

Mr Eric Myers, chairman of Central Motor Auctions, the UK's second largest group of vehicle auctioneers, yesterday reported a 29 per cent improvement in 1988-89 pre-tax profits.

He also announced an issue of 3.33m new ordinary shares to raise £3.52m to help fund a substantial development programme.

The £370,000 improvement to £1.62m in taxable profits for the 12 months to October 31 was achieved on the back of a 42 per cent rise to £259.41m in auction proceeds.

Mr Myers said the group was currently redeveloping its auction centre at Rothwell, near Leeds, enlarging its operations in Glasgow and relocating its south London auction centre at Mitcham to a new site at Wimbledon. Total expenditure on the three locations will exceed £9m.

Earnings emerged at 10.25p (9.08p) and a final dividend of 2.25p raises the total by 0.5p to 3.25p per share.

The new shares, which have been conditionally placed by BWD Rensburg, are being offered to shareholders on a one-for-three basis at 106p per share. Yesterday, they closed 3p lower at 113p. Dealings in the new shares are expected to begin on March 1.

Mr Myers said the development programme would provide a sound foundation for for the group's longer term growth ambitions.

Central Motor Auctions joined the USM in April 1988.

OMI improves 5% to £3.35m

Optical and Medical International yesterday announced a modest 5 per cent expansion to £3.35m in taxable profits for the half-year to September 30.

The group, which supplies specialised products and technical services to the optical and instrumentation industries, intends to seek further expansion in the UK, continental Europe and the US.

Last week OMI purchased Peters & Zabransky, a Munich-based design and stress analysis company, for some £5.3m.

Mr Wensley Haydon-Baillie, the chairman, said yesterday that the acquisition strengthened the group's European base as well as extending existing design and technological capabilities.

The refocusing of the Omitec Electro-Optics subsidiary into avionics and other high technology areas developed successfully, he said, with significant orders received for optical systems for infra-red and advanced laser applications.

Omitec Instrumentation, maker of automotive diagnostic equipment, is developing an extended range of hand-held terminals, while the current strength of the aerospace industry both in the UK and overseas was being exploited by the technical services division.

Group turnover was £28.85m (£27.69m). The interim dividend is raised from 1.65p to 1.75p, payable from earnings of 5.2p (5p).

UK ECONOMIC INDICATORS

ECONOMIC ACTIVITY- Indices of industrial production, manufacturing output (1985=100); engineering orders (£ billion); retail sales volume (1985=100); retail sales value (1985=100); registered unemployment (excluding school leavers) and unfilled vacancies (000s). All seasonally adjusted.

	Indl. prod.	Mfg. output	Eng. order	Retail vol.	Retail value*	Unemployed	Vacs.
1988							
2nd qtr	108.5	112.6	32.0	118.7	122.7	2,364	255.2
3rd qtr.	110.7	115.8	28.7	120.1	125.9	2,228	244.3
4th qtr.	110.2	117.1	29.5	121.0	135.4	2,101	241.4
1989							
1st qtr.	108.7	118.0	33.2	121.5	125.4	1,952	228.6
2nd qtr.	109.4	119.4	34.8	122.3	132.7	1,834	222.4
3rd qtr.	110.9	119.9	35.8	121.7	134.7	1,742	220.3
January	108.7	118.3	30.4	119.5	124.3	1,988	230.9
February	108.2	118.6	35.8	122.1	123.8	1,948	229.9
March	110.1	118.9	33.7	122.8	127.4	1,917	228.9
April	110.5	118.5	34.7	120.9	131.8	1,858	223.2
May	108.4	119.8	34.1	124.5	133.4	1,838	219.5
June	109.2	118.8	34.9	121.6	133.6	1,810	224.4
July	110.1	119.8	34.7	121.8	135.6	1,767	220.6
August	111.7	120.5	35.3	121.6	134.8	1,745	218.5
September	110.9	119.4	35.8	122.3	133.8	1,694	220.7
October	112.8	120.6	35.9	121.8	140.2	1,674	214.8
November	111.4	119.6		121.3	153.3	1,675	208.5

OUTPUT- By market sector; consumer goods, investment goods, intermediate goods (materials and fuels); engineering output, metal manufacture, textiles, leather and clothing (1985=100); housing starts (000s, monthly average).

	Cnsmer. goods	Invest. goods	Intmd. goods	Eng. output	Metal mnfg.	Textile etc.	Housg. starts*
1988							
2nd qtr	111.7	109.7	106.9	116.4	120.8	100.9	22.3
3rd qtr	114.1	113.1	106.3	114.6	125.0	101.7	20.4
4th qtr	114.4	116.1	106.3	116.8	124.2	101.2	18.4
1989							
1st qtr.	115.1	118.7	103.9	119.2	130.3	101.0	17.9
2nd qtr.	115.8	120.4	102.8	120.2	128.6	99.9	18.8
3rd qtr.	115.2	124.3	104.4	122.1	124.2	97.9	14.6
March	115.9	119.6	104.2	119.0	127.0	100.6	15.8
April	116.3	117.3	105.7	118.6	128.0	99.0	18.4
May	116.4	120.9	101.1	121.0	123.9	98.0	19.9
June	115.1	123.1	101.8	122.0	120.9	98.8	17.7
July	115.7	124.2	102.9	123.8	122.0	99.0	18.5
August	116.2	125.7	106.3	123.0	124.0	97.0	14.1
September	114.7	123.1	106.2	121.6	127.0	98.0	14.2
October	113.8	128.3	105.2	126.0	122.9	94.8	15.1
November	114.8	128.8	105.0	124.8	118.0	95.0	19.4

EXTERNAL TRADE- Indices of export and import volume (1985=100); visible balance; current balance (£m); oil balance (£m); terms of trade (1985=100), official reserves

	Export volume	Import volume	Visible balance	Current balance	Oil balance	Terms trade	Reserve US$bn
1988							
1st qtr.	107.3	118.8	-4,020	-3,061	+730	97.0	44.64
2nd qtr	114.9	128.2	-4,530	-2,781	+868	97.1	48.52
3rd qtr	112.8	134.8	-6,724	-3,332	+627	97.3	50.48
4th qtr.	107.2	134.7	-5,466	-5,461	+389	96.7	51.68
1989							
1st qtr.	112.9	140.5	-5,864	-4,605	+256	98.7	50.48
2nd qtr.	114.7	140.2	-5,878	-6,053	+294	98.9	43.67
3rd qtr.	118.6	146.2	-6,696	-6,494	+320	98.2	42.88
4th qtr.							38.65
January	117.1	145.1	-2,047	-1,646	+115	98.9	51.71
February	106.1	128.8	-2,224	-1,823	-8	96.6	51.89
March	116.3	138.2	-1,703	-1,250	+141	98.7	50.46
April	118.9	140.0	-2,193	-1,921	+116	98.9	47.26
May	115.6	138.4	-1,726	-1,453	+57	98.9	46.09
June	117.7	142.1	-1,951	-1,679	+122	98.9	43.67
July	116.1	148.6	-2,555	-2,487	+75	98.2	43.63
August	113.8	140.7	-2,244	-2,176	+143	98.6	43.21
September	125.6	149.3	-1,889	-1,831	+101	98.0	42.86
October	128.7	142.9	-1,828	-1,728	+162	98.3	39.68
November	121.6	139.2	-1,615	-1,415	+197	98.1	38.77
December							38.65

FINANCIAL-Money supply M0, M2 and M4 (annual percentage change); bank sterling lending to private sector; building societies' net inflow; consumer credit†; all seasonally adjusted. Clearing Bank base rate (end period).

	M0 %	M2 %	M4 %	Bank lending £m	BS inflow £m	Cnsmer. credit† £m	Base rate %
1988							
2nd qtr	6.6	14.6	18.5	+22,365	4,173	+1,027	9.50
3rd qtr.	7.7	16.5	18.6	+22,492	3,162	+995	11.50
4th qtr.	7.7	16.9	17.6	+19,896	3,158	+865	12.70
1989							
1st qtr.	6.7	14.7	18.1	+21,162	2,681	+694	13.00
2nd qtr.	6.8	11.3	18.6	+20,310	1,736	+298	14.00
3rd qtr.	5.3	8.9	17.4	+28,145	2,285	+892	14.00
4th qtr.							15.00
January	7.4	15.5	18.0	+7,611	784	+152	13.00
February	6.6	15.5	19.4	+5,042	1,064	+203	13.00
March	6.1	14.7	18.7	+8,296	813	+339	13.00
April	5.6	14.5	17.9	+6,222	1,175	+341	13.00
May	6.2	13.6	18.1	+6,419	713	+471	14.00
June	5.8	11.3	18.6	+7,669	-153	+195	14.00
July	6.2	10.1	18.5	+7,743	846	+349	14.00
August	6.1	10.1	17.3	+7,868	627	+389	14.00
September	4.6	8.8	17.4	+10,446	818	+74	14.00
October	5.2	6.9	17.2	+5,207	794	+174	15.00
November	6.7	10.7	17.5		177		15.00
December							15.00

INFLATION-Indices of earnings (1985=100); basic materials and fuels, wholesale prices of manufactured products (1985=100); retail prices and food prices (Jan 1987=100); Reuters commodity index (Sept 1931=100); trade weighted value of sterling (1975=100)

	Earnings	Basic matls.*	Whsale mnfg.*	RPI*	Foods	Reuters* cmdty.	Sterling
1988							
1st qtr.	94.4	96.9	111.0	102.7	103.5	1,747	75.3
2nd qtr	96.7	97.8	112.6	106.2	104.8	1,817	77.8
3rd qtr.	100.8	98.8	113.8	108.5	104.7	1,902	75.8
4th qtr.	104.1	100.1	115.2	109.9	105.7	1,867	77.5
1989							
1st qtr.	106.4	102.8	116.8	111.7	107.8	1,874	97.1
2nd qtr.	108.0	104.4	118.2	114.9	110.2	2,018	93.6
3rd qtr.	110.0	103.1	119.8	116.0	110.7	1,912	91.7
4th qtr.						1,843	90.8
January	104.2	104.0	116.4	111.0	107.4	1,900	97.9
February	104.6	101.9	116.8	111.8	107.7	1,954	97.4
March	107.3	102.4	117.2	112.3	108.3	1,996	98.8
April	107.3	103.9	117.8	114.3	108.8	2,016	95.5
May	107.6	104.7	118.3	115.0	110.3	2,010	94.3
June	109.1	104.7	118.6	115.4	110.7	2,027	91.3
July	110.3	102.8	119.6	115.3	110.1	1,940	92.2
August	109.1	102.7	119.5	115.8	110.6	1,902	91.6
September	110.7	102.6	120.0	116.6	111.3	1,993	91.5
October	111.7	104.1	120.6	117.8	112.4	1,850	89.7
November		[illegible]	120.9	118.2	113.6	1,853	87.9
December				118.8		1,816	86.5

*Not seasonally adjusted

†Net changes in amounts outstanding, excluding bank loans.

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UK COMPANY NEWS

Cray warns of further charges after midway loss

By Andrew Hill

A COMBINATION of interest charges and rationalisation costs helped drive Cray Electronics Holdings into the red in the first half of 1989-90, in the aftermath of November's drastic restatement of the previous year's profits.

The electronic equipment manufacturer warned yesterday that there could be further exceptional and extraordinary charges, and that the full benefits of rationalisation would not show through until the end of 1990-91.

The company lost £8.17m before tax in the six months to October 31, including the £1.82m exceptional cost of shutting divisional and head offices and cutting central staff from 60 to 20. Cray spent a further £3.58m below the line closing its advanced materials joint venture in Switzerland.

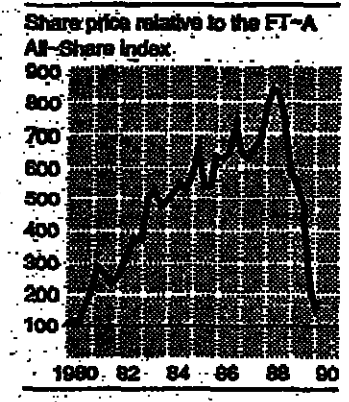
In all, that meant there was a £5.64m loss attributable to shareholders in the period and a loss per share of 2.3p. No interim dividend is declared.

Last November a review of accounting policy forced the company to cut its previously-stated annual profits from £17m to £5.44m.

Three former executives from UEI, the digital processing and engineering company which now belongs to Carlton Communications, joined the Cray board in December, headed by Sir Peter Michael, UEI's ex-chairman.

Cray Electronics

Share price relative to the FT-A All-Share index



Mr Jeff Harrison, Cray's deputy chairman and finance director, said yesterday that the new team had not yet examined all parts of the business. "Things are going to get worse before they get better because we have to cut our way through the aggressive accounting policies of the previous management," he added.

Turnover in the first half of 1989-90 was slightly up on the equivalent period at £52.49m (£50.62m). In the first half of 1988, before the restatement of accounting policy, the group reported pre-tax profits of £6.07m and earnings per share of 4.5p.

Borrowings of £40m at the end of the period under review still exceeded shareholders funds and pushed up interest costs from £1.36m to £2.57m. Cray said gearing would be reduced by the proposed sale of most of its defence businesses, which account for some 15 per cent of annual turnover.

Cray will concentrate on developing its communications, instrumentation and software systems divisions.

● **COMMENT**

The ex-UEI team seems to have doused the flames at Cray, but it could be some time before anything attractive rises from the ashes. Even the most creative accountant would find it hard to leave Cray in profit for the current year, and it is impossible to quantify the cost of putting right smouldering problems which Sir Peter and his fire-fighters have yet to uncover. So far, they have managed to remove the burden of central overheads which the team claims was holding back the core businesses, and Cray shareholders should take heart from the fact that analysts seem confident about the quality of those operations. In addition, disposals could cut the group's hefty borrowings by £15m or £20m. Cray's shares fell 4p to 61p yesterday, but it's much too early to buy in the hope of recovery.

Birmingham Mint

Birmingham Mint, the electronics and engineering group, has recovered funds owing to it on an overseas contract and released a £507,000 provision made against pre-tax results at the interim stage.

For the half year to September 30 pre-tax losses amounted to £599,000. After the release of the provision, the result now reflects a £92,000 loss.

Prism Leisure down

Prism Leisure, distributor of records, cassettes, compact discs and computer games, saw profits fall 28 per cent in the six months to September 30. The decline from £318,000 to £228,000 came on sales up 51 per cent from £3.13m to £4.72m.

Operating profits of the USM-quoted company fell to £269,000 (£314,000). The interim is again 1.5p on 2.6p earnings.

Micrelec raises £3.13m via rights issue

By John Thornhill

Micrelec Group, the petrol station equipment company, is to raise £3.13m by means of a one-for-four rights issue at 130p per share, its first cash-call since its USM flotation in April 1988.

The issue is underwritten by County Natwest.

Proceeds will be used to buy a petrol tank gauge manufacturer and a freehold property and to increase working capital.

Micrelec will buy CGF Automation for £950,000, although further payments may become due depending on CGF's profit performance. CGF makes calibration equipment used for road tankers and fuel tanks. It also has a dipstick and sign engraving business. Micrelec already has interests in the tank gauge market, through its Normond Instruments subsidiary, and CGF will be incorporated into Normond's management structure.

In the six months to end-1989, CGF made pre-tax profits of £284,000 and net assets are warranted to be not less than £600,000.

Micrelec is also buying Hydrex House, the freehold premises of its head office, for up to £825,000.

Micrelec said it was currently trading satisfactorily and was likely to recommend a final dividend of 2.8p, making 4p for the year, an increase of 21 per cent.

Lister loss cuts share price by 18p

Shares of Lister yesterday fell 18p to 100p as the Bradford-based textile group was again hit by the adverse effects of high interest and mortgage rates on the retail trade.

This was illustrated yesterday when the group announced a drop into losses of £499,000 pre-tax for the six months to end-September, against profits of £852,000 a year earlier.

Turnover fell some 10 per cent to £17.52m and losses per share worked through at 3.10p (earnings 4.16p). The interim dividend, however, is maintained at 1p.

Absolute beginners to relative winners

Clay Harris charts the fortunes of two brothers spotlighted by the Dominion affair

THE Dominion International Group affair may have dragged Mr Rupert *Galliers-Pratt and his brother,* Mr Nigel Cayzer, into the spotlight, but they are hardly absolute beginners.

Their business interests have ranged from providing guarantees for film and television productions – including Goldcrest's Absolute Beginners – to property.

Each is also the chairman of a listed company in which they have significant stakes, and each serves as a non-executive director on his brother's board.

Mr Galliers-Pratt runs Harvey & Thompson, Britain's largest pawnbroker and a leading debt collector. It reports interim results today.

His brother took the top position at USM-quoted Allied Insurance Brokers Group last June.

They are *the sons of* Mr Anthony Galliers-Pratt, former chairman of F Pratt Engineering, a Yorkshire-based manufacturer of lathe chucks and similar components for machine tools which was taken over by 600 Group in 1985.

The elder Galliers-Pratt was the last member of his familyto run the company which traced *its roots back to 1849* and had been listed since 1953. After he resigned in 1981, there was a famous public boardroom row about directors' expenses.

Neither brother ever had any role at F Pratt apart from being family shareholders.

They note that since Mr Galliers-Pratt took charge in 1982, Harvey & Thompson shares have risen three times as much as the FT-A All-Share index *while AIB shares have outper*formed by 75 per cent since May last year.

Their mother is the daughter *of the late Sir Charles Cayzer,* a member of the Scottish family which formerly controlled British & Commonwealth Holdings and *whose main listed* vehicle is Caledonia Investments.

Mr Nigel Cayzer – who was born a Galliers-Pratt – *is a* non-executive director of Caledonia. He changed his name in 1982 after his uncle, Sir James *Cayzer,* offered to make him his heir on the condition that his surname became Cayzer.

The brothers entered the production guarantee business in 1984 through a start-up venture, Entertainment Completions (ECI), which grew to become the world's third largest player in the sector. ECI took over Film Finances, the global leader, in February 1988, and the combined operation *was bought by Dominion* three months later.

The brothers are also non-executive directors and signifi*cant shareholders of* Hayward and Company, which arranges reinsurance for productions handled by Film Finances.

Mr Galliers-Pratt and *his* brother fell out with Mr Max Lewinsohn, then Dominion's chairman, later that year and *offered to buy back* Film Finances early in 1989. The offer was rejected and Mr Cayzer, although still a main board *director, was dismissed* from his executive role at the subsidiary.

They quit Dominion in July last year, but subsequently tried unsuccessfully *to con*vince the group's creditors to accept a rescue package which would have returned 5p per *share to shareholders.*

Dominion's shares had been suspended at 52p on September 21, and its court-appointed *administrators now believe it* is extremely unlikely investors will recover any money. This would mean a loss of £4.5m for *Mr Galliers-Pratt* and *Mr Cay*zer.

Mr Lewinsohn and his backers maintain that the brothers *had initially tried to take con*trol of Dominion without launching a full bid and that their last initiative was an *attempt to* buy Dominion on the cheap.

US disposal for Southwest Resources

By Clay Harris

SOUTHWEST RESOURCES, former subsidiary of the failed financial services company Dominion International Group, is to sell its US oil and gas interests. The disposal will result in an £11m extraordinary charge but eliminate Southwest's borrowings.

The planned sale was announced yesterday along with a pre-tax loss of £164,000 for the six months to September 30. The deficit would have been larger except for the initial four-month contribution of £273,000 from the Guardian group of property management companies in *Hong Kong.*

The acquisition of Guardian from Dominion was the final deal done under the *chairmanship of Mr Max Lew*insohn, who resigned from both companies last August. Dominion, which last week was placed in administration at the request of its creditors, has reduced its stake from 45 per cent last June to 7.4 per cent through a series of sales at a loss.

Mr Kenneth Keep, managing director, said USM-quoted Southwest would be looking for appropriate acquisitions.

The US disposals will improve Southwest's cash position by $10.65m (£6.33m). It is selling States Petroleum for $250,000 to Sunlite, which will assume $7m of debt, and the Aspermont Lake Field in Texas to Merit Energy for $3.4m. *The sales are expected* to be completed by the March 31 year-end.

Mr Keep said problems had *recently been discovered* in two of the fields. "This has led to reduced income, coupled with increased expenditure to rework or redrill wells in efforts to maintain production levels." Nonetheless, the interim loss in this division had fallen to £113,000 (£197,000).

The reduction in pre-tax loss from £389,000 in the first half last year came on turnover three times higher at £4.49m (£1.42m).

The loss per share fell to 0.12p (0.79p).

● **COMMENT**

For the full year, Southwest is likely to show a pre-tax loss in the low six figures, although the outcome could be ameliorated by a cash settlement relating to disputed Thai oil royalties. If all goes according to plan, Southwest *will enter* its new year with no borrowings and shareholders' funds of about 3p per share, compared with yesterday's unchanged market price of 4¾p. "There's no more bad news," says Mr Keep, who knew the old regime well as Dominion's company secretary. But shareholders who showed prescience by shunning last year's 8p rights issue should not drop their guard yet. Southwest hints that acquisitions may involve the issue of shares to add to the 329m already out there. When the time comes, investors should pay attention not only to the proposed purchase, but also who the vendor is. Only if there is no connection whatsoever with any director, former director, large shareholder or business associate of any of these can one been reasonably certain the bad old days are over.

Strong support for new BZW trust

BZW Investment Management, part of the investment banking arm of Barclays, has attracted strong support from investors for the launch of its first investment trust, specialising in convertible stocks, writes Andrew Hill.

The offer of 50m shares in BZW Convertible Investment Trust, which closed on Tuesday, was 1.17 times subscribed.

As a result of the oversubscription, sub-underwriters have had their share allocations scaled down to 83.32 per cent of the original commitment, while all other applications will be accepted in full. Some 12.5m of the shares in the original offer were made available to the general public.

Mr Donald Brydon, managing director of BZW Investment Management, said the success of the offer "obviously vindicates our view that there was a market for this sort of investment trust."

FINANCIAL TIMES THURSDAY FEBRUARY 1 1990

IMF sales talk hits gold price

By Kenneth Gooding, Mining Correspondent

GOLD'S PRICE took a tumble yesterday as the market attempted to absorb the implications of a suggestion by the US authorities that some of the metal held in the International Monetary Fund's reserves should be "mobilised."

The market's immediate reaction was to push the gold price down to $411.30 a troy ounce. Buyers came in and gold closed in London last night at $412.75 an ounce, down $6.25 on the day.

The price was continuing to recover in New York last night after more details of the US proposals became known and it was clear that they did not necessarily involve the sale of physical gold into the market.

The US proposals are aimed at solving the thorny problem of some debtor countries' arrears to the IMF.

About 3 per cent of the 103m ounces of gold in the IMF reserves was lodged by developing nations at the equivalent of $46 an ounce. That gold could be sold off market to central banks and the money used to wipe the debtors' slate clean at the IMF.

It was clear last night that the US proposals would not be widely popular, not least because the IMF's gold holdings have been regarded as inviolable. Also, countries which have not run up arrears would almost certainly argue that they were being penalised for sticking to the rules.

However, Mr Andrew Smith, gold analyst with UBS Phillips & Drew, said that, should the proposals go ahead, it would be very negative for the price of gold.

He pointed out that, although the IMF gold was likely to be sold off market, it would probably go to central banks – such as Taiwan's – which would otherwise be buying the precious metal in the market. "It would take away substantial buyers," he added.

And, while the amount of gold might be relatively small as far as the IMF was concerned, "3m ounces or 90 tonnes is a hell of a lot to the gold market."

Porgera mine costs rise

By Chris Sherwell in Sydney

PARTNERS IN the project to mine the massive Porgera gold *deposit in Papua New Guinea's* central highlands yesterday confirmed that capital costs had risen 25 per cent as a result of inflation, land compensation payments and mine design adjustments.

But the impact of the rise will be offset in part by higher gold production, amounting to 2.3m ounces, following the 26 per cent increase in recoverable reserves announced in April 1989.

These additional reserves, coupled with the decision to mine Porgera's high-grade underground deposits directly before moving to open-pit mining, mean output in the first six years will exceed the forecast 800,000 ounces a year, probably reaching 1m ounces.

Until now, the project has had a capital cost of approximately Kina 660m (£400m) at 1987 values, based on a May 1988 feasibility study. The increase was revealed yesterday *in a quarterly report by* Highlands Gold, one of the project's three partners.

"In addition to the effects of a general escalation of costs since 1987, this increase reflects site construction experience, cost and scope changes relating to land compensation and infrastructure requirements. . . and timing differences associated with the phased expansion of plant capacity," the report said.

Highlands Gold is a listed subsidiary of MIM Holdings. The other partners are Placer Pacific, the operator, and Renison Goldfields, an associate of Consolidated Goldfields. Each has a 30 per cent shareholding, while the Government has 10 per cent.

Porgera will be one of the world's largest gold mines and the country's fourth major mine project to get under way.

Brussels claims progress on fraud

By Lucy Kellaway in Brussels

THE EUROPEAN Commission yesterday claimed progress had been made in its fight against Community fraud, announcing an increase in the number of cases detected, and the introduction of new measures to frustrate potential fraudsters.

In agriculture, where most of the Community fraud takes place, the Commission unearthed 352 cases in the first 9 months of 1989, compared with 386 in the whole of 1988. The increase did not mean fraud was becoming more widespread, the Commission said, but that member states were becoming more vigilant.

The sums recovered from fraud also increased – Ecu12m (£8.6m) recouped in the first three quarters of last year compared with Ecu5.5m in 1988.

However, the number of cases detected and amounts recouped are believed to be a small proportion of total EC fraud. Although there are no official estimates of the cost to the community of fraud, some studies put the value at between Ecu3bn and Ecu8.5bn each year. A recent estimate by Freiburg University put the annual loss to the Community as high as 15 per cent of the whole budget – whereas the *actual value of the fraud cases* reported to Brussels is closer to 0.2 per cent of the budget.

The Commission said that it would persist in its efforts against fraud, but warned that further progress could not be made unless member states co-operated more fully with each other and with Brussels.

Last year it took action to reduce the scope for fraud by cutting the number of different categories in products eligible for export refunds. It also tightened up the administration of structural funds, establishing fixed responsibilities for monitoring the sums granted.

Priorities for the present year would include further examination this year of the high risk areas of the Common Agricultural Policy, and better co-ordination of its own anti-fraud departments, the Commission said.

Regenerating Algeria's agrarian revolution

***Francis Ghiles** on efforts to repair the damage done by 25 years of mismanagement*

WHEN IT became independent in 1962 Algeria could feed its 10m people. But nearly two decades of agrarian revolution, during which the state expropriated vast tracts of private land, produced results depressingly similar to those achieved in Eastern European agriculture – plummeting production, rising imports and bare market stalls. By 1980, Algeria was importing 55.4 per cent of its food requirements, a figure which, by 1986, had risen to 75.6 per cent.

Imports of food today account for nearly a quarter of all imports, a figure which could rise to a third by the end of the century, according to an unpublished World Bank report entitles Agricuture, a New Opportunity for Growth. *Imports of food for the first* seven months of last year cost 12.6bn dinars (£940m), more than double the figure, in dinar terms, of the equivalent period in 1988. This increase is not the result of a great surge in imports but of the devaluation of the dinar and the rising price of cereals, coffee and sugar.

The figure underestimates the real foreign exchange cost of feeding the 25m Algerians, however, as it does not include spending on imported inputs such as seeds and fertilisers (D1bn). Nor does it take account of the fact that imports that were paid for in cash until five years ago are now purchased on credit.

The country's growing inability to feed itself is the dark side of the oil boom of the 1970s. Three factors explain why, since 1987, the food import bill has continued to rise, despite the free market revolution introduced into farming in 1984 and which, in 1988, led the state to sell off most of the 3,240 farms it owned.

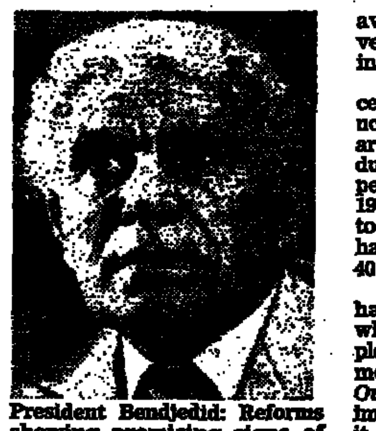
First the population continues to grow at a rate of 2.9 per cent a year, a figure which is not matched by the growth rate of the gross domestic product. Second, the rise, at least until 1986, in living standards and the more equal distribution of wealth accruing from oil and gas than in many other Opec countries. Third, the worst drought and plague of locusts in 30 years.

The lack, until the early 1980s, of a policy aimed at developing water resources, further aggravates the consequences of what is, traditionally an erratic pattern of rainfall.

Figures released recently in a remarkably lucid and honest series of studies of the Algerian economy, the *"Cahiers de la Reforme"* show that, between 1975 and 1986, the deficit of state farms rose by 13 per cent every year to reach an annual figure of D2bn by the early 1980s. Yields declined in *every sphere of farming activity* – a fall more marked in the state sector than on small farms despite the fact that, until 1984, the latter were starved of credit facilities, machinery and fertlisers and occupied the poorest land. Non-performing loans to agriculture amounted to D550m every year between 1966 and 1980, a figure which rose to D2bn in 1983/86.

The ruling Front de Liberation National party, which has held a monopoly of power since independence, has always argued that the forced pace of industrialisation which characterised Algerian economic policy until recently was necessary if the country was to wrest control of its destiny from "western imperialism." But, as one adviser to President Bendjedid recently pointed out – "What does sovereignty amount to if you cannot feed your people?"

Today, farming is reviving in Algeria. The land is being tilled, although 40-45 per cent of the arable land lies fallow, a *far higher* percentage than in neighbouring Morocco and Tunisia. Peasants can be seen working the land at week ends, something which was quite unthinkable a few years ago when the land in the Mitidja plain around Algiers lay abandoned. In Medea, due south of the capital, new vines are being planted. In the hills above Cap Djinet, due east of Algiers, well *tilled fields*, protected by reed wind brakes are sprouting potatoes and tomatoes. New houses are being built, a testimony to the flow of money now going to the countryside.



President Bendjedid: Reforms showing promising signs of reversing decline

Algerian Trade in Food and Farm Products

	1970/72	1977/79	1985/87
Food imports (billion dinars)	0.72	4.84	7.38
Percentage of total imports	11	15	17
Farm exports (million dinars)	580	493	184
Percentage of total exports	12	1.6	0.3

The volume, quality and variety of staple produce reaching the cities is increasing. Production of tomatoes and peppers rose by 40 and 80 per cent respectively between 1983 and 1988. Avocados are appearing, not least a small, stoneless and delicious variety. Eggs are plentiful – by 1982 Algeria had become the largest importer in the world. Poultry is readily available, though output is very dependent on imported inputs.

Increasing the production of cereals, meat and dairy products is proving to be a more arduous affair. Domestic production of cereals covered 70 per cent of requirements in 1966/70, but only 25 per cent today; self-sufficiency in milk has fallen from 70 per cent to 40 per cent.

The poor rainfall since 1986 has seriously impaired the wheat crop recently but more plentiful rain since last summer holds greater promise. *Output of barley, however,* has improved because farmers find it more weather-resistant than wheat and because they can sell it at a good price as feedstock to cattle. However, the very speculative nature of farming means that peasants would rather make a quick kill selling fruit and vegetables than produce cereals, an altogether more long term and arduous task.

Three factors will play a key role if cereal ouput is to improve. The share of land which lies fallow must be reduced and more modern methods of farming must prevail, in particular where the quality, production and distribution of seeds, an area where the European Community is particularly keen to help, is concerned. More fundamentally the state will have to offer cereal farmers a much higher price for wheat and barley.

Since the legal requirements needed to open food stores were eased in 1987, the distribution of food has improved. Local stores have begun to compete with one another, thus bringing down certain prices. But shortages continue to be a regular feature of Algerian life as large quantities of produce disappear in the various distribution networks or find their way over recently reopened frontier to Morocco. The propensity of the average housewife to stock up at the slightest hint of a shortage does not help.

Another factor is threatening the faster growth of agriculture – the anarchy which has presided over the breaking up of state farms has allowed many members of the "nomemklatura" to get hold of land. Many of these people are already rich. Last February, the editor of the Oran daily "El Joumhouriya" was dismissed for pointing his finger at such profiteers. Last December, the evening daily "Horizons" carried a scathing attack on the Government for allowing the new owners of agricultural land, especially around Algiers, to get away with splitting their farms up and selling off the land to build private villas and factories.

The new Minister of Agriculture, Mr Abdelkader Bendaoud, is trying to stop some of the worst abuse but many Algerians, many of whom bitterly resent the arbitrary fashion in which they were expropriated in the 1970s, are expressing their exasperation.

Farming remains a key sector of the economy. *It accounts* for 8 per cent of GDP, 13 per cent if the hydrocarbons sector is not included and employs a quarter of the workforce. For the vast majority of their compatriots, the agrarian revolution imposed by President Ahmed Ben Bella (1962-1965) and President Houari Boumediene (1965-78) was a little short of a crime, coming as it did after 132 years of colonial *rule during* which native property was massively expropriated by the French rulers. Algeria's second head of state added insult to injury by entrusting the farming portfolio to Mr Tayebi Larbi, a wealthy landowner who was never forced to give up any of his land.

The change of policy initiated by President Chadli Bendjedid, which is showing promising signs of reversing a quarter of a century of decline in production, deserves a better fate than to flounder in a welter of accusations of corruption.

Ending of protection 'would boost seaborne coal trade'

By Chris Sherwell

DRAMATIC INCREASES in the international seaborne trade of steaming and coking coal would result from the removal of coal industry protection in Europe and Japan, an Australian study has concluded.

The study, published this week, comes in the form of a discussion paper by the Canberra Government's Bureau of Agricultural and Resource Economics. Australia is currently campaigning against coal subsidies through the Uruguay Round of trade negotiations.

According to the study's findings, the complete removal of protection would allow annual world seaborne steaming coal trade to increase by 60m tonnes, or 20 per cent, by the year 2000, over and above increases expected under existing conditions. World prices (in 1987 values) could increase by US$3.60 a tonne, or 6.5 per cent, in the same period.

Under more conservative assumptions regarding the rate of tariff and subsidy reform, the study calculates that the increase in trade would be about two-thirds of this amount, with a 5 per cent rise in world price.

In the case of coking coal, the potential gains from liberalisation are reckoned to be smaller. World seaborne trade could increase by 12m tonnes, or 7 per cent, if protection ceased in West Germany, the major protected producer. The estimated increase in world prices is 4 per cent.

The study acknowledges that several European countries and Japan have already taken steps to rationalise their small domestic coal industries during the 1990s in response to the high budgetary costs of support.

But it says significant new initiatives would be required to bring about the removal of all assistance to high cost coal producing countries during the decade.

The benefits of such reforms, it admits, would be shared chiefly by Australia, the US and South Africa, in the case of steaming coal, and by Australia and the US in the case of coking coal. Australia would gain up to A$2.6bn per year by 2000, over and above increases in prospect anyway, and A$1.8bn under more conservative assumptions.

But the study also argues that additional benefits would accrue to those countries which effectively restructured their high-cost indigenous coal industries. In the UK it says this would entail full implementation of privatisation of the electricity and coal mining industries. In West Germany it would mean removal of the policies which guarantee the use of high-cost domestic steaming and coking coal.

The study says pressure for reform will be maintained through European *Commission* initiatives for a common energy market, but would be strengthened by the inclusion of coal protection issues in the Uruguay Round negotiations.

Further coffee price decline forecast

By David Blackwell

ROBUSTA COFFEE prices are likely to fall further in the short term – but there is potential for rallies in arabicas, according to the latest quarterly futures review from E.D. & F. Man, the London broker.

While an arabica rally could be met by producer selling, Man says roasters will start to rebuild stocks when the risk of prices rises is deemed greater than the risk of holding stocks. However, the New York arabica futures contract will have to move towards 85 cents a lb to indicate the start of an uptrend. On Tuesday the May position closed at 81.95 cents.

The arabica premium over robustas has been widening, and "now more accurately reflects the physical availability of both types of coffee," says Man. And if the International Coffee Organisation's efforts to recruit key non-members are successful "we can expect a more balanced relationship between supply and demand over the next three years as production levels respond to free market prices."

WORLD COMMODITIES PRICES

LONDON MARKETS

ALUMINIUM prices closed yesterday at the lowest levels since the contract for 99.7 pure metal started on the LME in June 1987. Cash metal closed at $1,394.50 a tonne; three-month metal traded as low as $1,405 a tonne before recovering to $1,418 at the close. The fall reflected the ample supplies available – more than sufficient to meet any consumer demand attracted by lower prices, traders said. The prospect of further substantial increases in LME warehouse stocks continued to weigh on sentiment. Copper prices edged ahead by the close, helped by a rally on Comex. Traders said the market appeared slightly oversold, but sentiment remained bearish. Most operators were taking a lead from nervous equity markets and Comex in the absence of any sign of fresh supply disruption or increased consumer demand.

SPOT MARKETS

Crude oil (per barrel FOB)		+ or -
Dubai	$16.75-6.85z	
Brent Blend	$19.80-9.85z	-0.75
W.T.I. (1 pm est)	$22.50-2.55z	+0.85
Oil products (NWE prompt delivery per tonne CIF)		+ or -
Premium Gasoline	$221-223	
Gas Oil	$166-167	-3
Heavy Fuel Oil	$86-88	-1
Naphtha	$203-205	
Petroleum Argus Estimates		
Other		+ or -
Gold (per troy oz)♣	$412.75	-6.60
Silver (per troy oz)♣	520c	
Platinum (per troy oz)	$509.50	-4.75
Palladium (per troy oz)	$135.75	-0.40
Aluminium (free market)	$1380	-50
Copper (US Producer)	103¼-104c	
Lead (US Producer)	40.5c	
Nickel (free market)	280c	-10
Tin (Kuala Lumpur market)	17.40r	-0.10
Tin (New York)	292c	
Zinc (US Prime Western)	65¼c	
Cattle (live weight)†	110.75	+1.18*
Sheep (dead weight)†	207.30p	-1.86*
Pigs (live weight)†	85.42p	+1.89*
London daily sugar (raw)	$348.0x	-8.8
London daily sugar (white)	$426.5x	-13.0
Tate and Lyle export price	£321.0	-5.5
Barley (English feed)	£113.25w	+0.75
Maize (US No. 3 yellow)	£128.5w	
Wheat (US Dark Northern)	£130	
Rubber (spot)♥	53.50p	+1.0
Rubber (Mar)♥	56.75p	+1.0
Rubber (Apr)♥	57.75p	+1.0
Rubber (KL RSS No 1 Feb)	231.5m	+4.0
Coconut oil (Philippines)§	$420.0x	-7.50
Palm Oil (Malaysian)§	$290w	+5
Copra (Philippines)§	$275	
Soyabeans (US)	£159w	
Cotton "A" index	74.65c	+0.90
Wooltops (64s Super)	568p	

£ a tonne unless otherwise stated. p-pence/kg. c-cents/lb. r-ringgit/kg. x-Feb/Mar. t-Jan/Feb. v-Jan/Mar. w-Feb. z-Mar. †Meat Commission average fatstock prices. * change from a week ago. ♥London physical market. §CIF Rotterdam. ♣ Bullion market close. m-Malaysian cents/kg.

COCOA – London FOX £/tonne

	Close	Previous	High/Low
Mar	628	629	632 625
May	640	640	644 636
Jul	653	655	656 648
Sep	669	670	670 665
Dec	692	694	697 688
Mar	712	714	713 708
May	727	729	727 722

Turnover: 3293 (7605) lots of 10 tonnes
ICCO indicator prices (SDRs per tonne). Daily price for Jan 30 762.48 (761.32):10 day average for Jan 31 757.01 (759.49)

COFFEE – London FOX £/tonne

	Close	Previous	High/Low
Mar	582	580	583 576
May	586	582	587 576
Jul	598	591	599 590
Sep	612	607	614 606
Nov	630	622	630 621
Jan	645	638	636

Turnover: 2810 (5503) lots of 5 tonnes
ICO indicator prices (US cents per pound) for Jan 29: Comp. daily 62.60 (62.68). 15 day average 62.21 (62.36)

SUGAR – London FOX ($ per tonne)

Raw	Close	Previous	High/Low
Mar	429.0	318.00	428.5 410.0
May	425.5	317.80	425.5 420.0
Aug	428.6	317.00	427.0 423.0
Oct	394.0	308.80	394.0 378.0
Dec	368.5	307.00	
Mar	363.0	285.80	358.0 356.5
White	**Close**	**Previous**	**High/Low**
Mar	326.00	422.0	325.00 319.00
May	324.00	419.5	323.40 318.00
Aug		423.0	322.00 318.00
Oct	313.00	369.5	312.60 308.60
Dec	307.00	363.5	301.00
Mar		357.0	288.00 286.80
May	288.00	357.0	

Turnover: Raw 5238 (6230) lots of 50 tonnes. White 1514 (1393)
Paris- White (FFr per tonne): Mar 2435, May 2432, Aug 2465, Oct 2292, Dec 2160, Mar 2125.

CRUDE OIL – IPE $/barrel

	Latest	Previous	High/Low
Mar	19.80	19.86	19.83 19.55
Apr		19.37	19.29 19.08
May	18.96	19.06	18.96 18.80
IPE Index			

Turnover: 5533 (6539)

GAS OIL – IPE $/tonne

	Latest	Previous	High/Low
Feb		169.50	167.00 165.00
Mar	163.50	167.50	164.00 162.00
Apr	161.00	161.50	161.50 158.50
May	159.25	160.00	157.50 157.00
Jun	158.50	157.50	156.50 155.25
Jul	158.00	158.50	156.00 155.25

Turnover 5773 (4299)lots of 100 tonnes

WOOL
Slightly less is being brought in by the AWC in floor price support, but the wool trade is still finding it difficult to build up optimism. There is reluctance to hold stocks, and any business tends to be in smaller weights than usual. This in turn increases the stockholding burden for some firms. The overall picture is still one of substantial over-supply and no signs of a better balance emerging. Bradford top prices are a little softer due to continued Australian currency softness.

LONDON METAL EXCHANGE (Prices supplied by Amalgamated Metal Trading)

	Close	Previous	High/Low	AM Official	Kerb close	Open Interest
Aluminium, 99.7% purity ($ per tonne)						Ring turnover 24,100 tonne
Cash	1393-6	1418-22	1385/1380	1378-80		
3 months	1417-9	1441-2	1428/1405	1405-7	1425-6	-
Copper, Grade A (£ per tonne)						Ring turnover 50,000 tonne
Cash	1304-5	1300-2	1307/1304	1304-5		
3 months	1317-8	1316-7	1326/1309	1318-9	1323-4	-
Lead (£ per tonne)						Ring turnover 4,800 tonne
Cash	413-4	415-7	416	412-3		
3 months	408-9	409-10	411/407	407-8	411-2	-
Nickel ($ per tonne)						Ring turnover 1,590 tonne
Cash	6140-70	6050-100	6000	5975-6000		
3 months	6000-10	5910-25	6100/5800	5850-70	6100-50	-
Tin ($ per tonne)						Ring turnover 1,130 tonne
Cash	6230-50	6320-40		6080-100		
3 months	6370-80	6455-70	6400/6200	6230-40	6360-5	-
Zinc, Special High Grade ($ per tonne)						Ring turnover 7,675 tonne
Cash	1264-6	1280-3	1267/1266	1268-70		
3 months	1266-7	1278-80	1277/1265	1269-71	1275-80	-
Zinc ($ per tonne)						Ring turnover 2,050 tonne
Cash	1260-70	1275-85		1263-67		
March 30	1240-50	1245-55		1240-60		-

LME Closing £/$ rate: SPOT: 1.6805   3 months: 1.6544   6 months: 1.6335   9 months: 1.6159

POTATOES – BFE £/tonne

	Close	Previous	High/Low
Feb	145.0	145.0	144.0
Apr	202.2	200.3	203.0 201.0
May	225.0	223.0	225.0 223.8
Nov	108.0		103.0

Turnover 142 (191) lots of 40 tonnes.

SOYABEAN MEAL – BFE £/tonne

	Close	Previous	High/Low
Oct	32.00		

Turnover 5 (50) lots of 20 tonnes.

FREIGHT FUTURES – BFE $10/index point

	Close	Previous	High/Low
Jan	1647	1646	
Feb	1602	1612	1603 1595
Apr	1640	1644	1642 1634
Jul	1393	1392	1395 1385
Oct	1502	1493	
BFI	1644	1644	

Turnover 391 (286)

GRAINS – BFE £/tonne

Wheat	Close	Previous	High/Low
Mar	0.70	115.30	15.30 15.00
May	119.25	119.35	19.40 19.15
Jun	121.10	121.15	21.15 21.10
Sep	106.20	121.15	06.20
Nov	109.05		09.05 09.00
Jan	0.70		12.60
Barley	**Close**	**Previous**	**High/Low**
Mar	108.70	108.75	08.95 08.75
May	111.00	110.75	10.90 10.75
Sep	103.70		03.60

Turnover: Wheat 723 (264), Barley 48 (0). Turnover lots of 100 tonnes.

PIGS – BFE (Cash Settlement) p/kg

	Close	Previous	High/Low
Feb	110.0	110.0	
Apr	115.0	114.0	
Jun	116.0	114.0	
Aug	115.0	114.0	112.5
Oct	116.0	115.0	

Turnover 30 (28) lots of 3,250 kg.

LONDON BULLION MARKET

Gold (fine oz)	$ price	£ equivalent
Close	412½-413	245½-246
Opening	417-417½	248½-249
Morning fix	417.55	247.878
Afternoon fix	415.05	246.833
Day's high	418-418½	
Day's low	411½-412	

Coins	$ price	£ equivalent
Mapleleaf	421-426	250-253½
Britannia	421-426	250-253½
US Eagle	421-426	250-253½
Angel	421-426	250-253½
Krugerrand	410-413	244-246
New Sov.	98½-100½	58½-59½
Old Sov.	98½-100½	58½-59½
Noble Plat	515.60-523.75	306.65-311.40

Silver fix	p/fine oz	US cts equiv
Spot	309.50	520.50
3 months	320.81	530.90
6 months	332.05	541.80
12 months	355.25	565.35

TRADED OPTIONS

Coffee	Mar	May	Mar	May
550	34	53	4	18
600	6	27	26	42
650	1	12	71	77
Cocoa	**Mar**	**May**	**Mar**	**May**
600	32	56	4	17
650	5	28	27	39
700		12	72	73
Brent Crude	**Mar**	**Apr**	**Mar**	**Apr**
1900				7
1950			23	18
2000		18	12	54

US MARKETS

A PROPOSAL BY the US that Third World nations sell gold saw futures prices fall between 5 and 6 dollars an ounce in moderate volume, reports Drexel Burnham Lambert. This was despite a weaker US Dollar and firmer stock market. Platinum too, eased in line with gold, while silver was lacklustre. Copper however, rose sharply as it underwent a technical reaction to recent weaknesses. Energy products were sharply lower in response to API statistics. Crude oil started the day lower, but recovered on short covering. Sugar found support from reports of white offtake. Coffee was under slight pressure from price fix selling, which led to sell-stops being elected early in the session, before short-covering held the market to a narrow range for the rest of the day. Cocoa was lethargic with early trade scale down. Cotton rallied with technical buying touching off stops. The grains tended to consolidate in quiet trading with continued favorable supply conditions being counterbalanced by expectations of a possible increase in demand.

New York

GOLD 100 troy oz.; $/troy oz.

	Close	Previous	High/Low	
Feb	415.0	418.1	416.5	411.8
Mar	414.9	420.8	414.5	414.5
Apr	418.0	423.9	422.0	417.0
Jun	423.5	429.7	428.0	422.5
Aug	428.5	434.9	430.2	427.5
Oct	433.9	440.3	437.0	434.0
Dec	439.3	445.7	443.7	437.5
Feb	445.1	451.3	448.1	445.1
Apr	453.2	456.8	453.2	453.2

PLATINUM 50 troy oz; $/troy oz.

	Close	Previous	High/Low	
Apr	514.0	519.8	517.0	511.5
Jul	520.0	526.1	523.0	519.0
Oct	526.0	532.4	530.0	525.0
Apr	544.0	548.2	544.0	544.0

SILVER 5,000 troy oz; cents/troy oz.

	Close	Previous	High/Low	
Feb	519.4	520.7	520.5	520.5
Mar	522.8	524.5	526.0	520.0
Apr	527.0	0	0	0
May	531.1	532.8	533.0	526.0
Jul	539.2	540.9	541.5	536.5
Sep	547.8	549.3	549.5	546.0
Dec	559.6	561.0	562.5	557.0
Jan	563.1	564.4	0	0
Mar	571.7	572.9	572.0	572.0
May	579.7	580.9	0	0

INDICES

REUTERS (Base: September 18 1931 = 100)

Jan 31	Jan 30	mnth ago	yr ago
1770.6	1773.1	1808.4	1959.7

DOW JONES (Base: Dec. 31 1974 = 100)

	Jan 30	Jan 29	mnth ago	yr ago
Spot	127.06	127.11	127.44	137.25
Futures	129.98	129.04	129.37	141.11

HIGH GRADE COPPER 25,000 lbs; cents/lbs

	Close	Previous	High/Low	
Feb	99.40	196.15	99.50	96.30
Mar	98.60	95.85	98.85	95.00
Apr	97.80	95.30	0	0
May	97.30	95.15	97.40	94.50
Jun	97.00	94.85	0	0
Jul	96.40	94.25	96.70	93.80
Aug	95.80	93.85	0	0
Sep	95.05	93.35	94.80	92.50
Oct	94.85	93.05	0	0
Nov	94.25	92.75	0	0

CRUDE OIL (Light) 42,000 US galls $/barrel

	Latest	Previous	High/Low	
Mar	22.47	22.46	22.60	22.11
Apr	21.72	21.77	21.83	21.52
May	21.34	21.39	21.42	21.15
Jun	21.00	21.04	21.05	20.65
Aug	20.38	20.43	20.43	20.25
Nov	19.95	19.92	19.96	19.78
Dec	19.77	19.85	19.84	19.65

HEATING OIL 42,000 US galls, cents/US galls

	Latest	Previous	High/Low	
Feb	5865	6051	5950	5855
Mar	5740	5818	5780	5690
Apr	5575	5610	5605	5525
May	5430	5455	5440	5380
Jun	5310	5335	5315	5260
Jul	5290	5315	5290	5240
Aug	5337	5367	5337	5270
Oct	5450	5507	5450	5450
Nov	5480	5567	5480	5480

COCOA 10 tonnes;$/tonnes

	Close	Previous	High/Low	
Mar	962	976	975	958
May	957	966	967	955
Jul	974	983	984	972
Sep	991	1001	999	990
Dec	1014	1023	1020	1012
Mar	1034	1041	1039	1032
May	1050	1053	1050	1050

COFFEE "C" 37,500lbs; cents/lbs

	Close	Previous	High/Low	
Mar	79.99	80.37	81.00	79.75
May	81.59	81.95	82.60	81.50
Jul	83.31	83.96	84.25	83.30
Sep	85.00	85.75	85.00	85.00
Dec	87.28	87.73	88.00	87.40
Mar	89.60	89.90	90.26	89.80
May	91.55	91.75	0	0

SUGAR WORLD "11" 112,000 lbs; cents/lbs

	Close	Previous	High/Low	
Mar	14.73	14.44	14.78	14.41
May	14.66	14.44	14.67	14.40
Jul	14.40	14.25	14.50	14.25
Oct	14.12	13.80	14.16	13.85
Mar	13.35	13.16	13.35	13.15
May	13.23	13.08	0	0

COTTON 50,000; cents/lbs

	Close	Previous	High/Low	
Mar	67.15	66.72	67.60	66.25
May	68.39	67.12	68.00	67.70
Jul	66.60	67.40	66.90	67.85
Oct	66.45	66.65	66.50	65.90
Dec	65.40	64.50	65.49	64.70
Mar	66.00	65.35	66.00	66.00

ORANGE JUICE 15,000 lbs; cents/lbs

	Close	Previous	High/Low	
Mar	198.25	197.25	198.75	196.60
May	190.85	195.60	196.85	195.50
Jul	194.10	193.65	194.25	193.65
Sep	188.50	187.25	188.50	187.30
Nov	180.00	181.00	180.00	178.00
Jan	178.00	179.00	178.00	178.00
Mar	179.00	179.00	0	0

Chicago

SOYABEANS 5,000 bu min: cents/60lb bushel

	Close	Previous	High/Low	
Mar	561/0	558/4	563/4	558/0
May	573/4	571/6	576/0	571/0
Jul	585/4	584/4	587/6	583/4
Aug	589/0	588/6	591/0	588/4
Sep	589/6	590/0	591/0	588/2
Nov	595/2	595/0	597/0	593/4
Jan	605/4	604/0	606/2	603/4
Mar	616/0	615/0	616/0	615/0

SOYABEAN OIL 60,000 lbs; cents/lb

	Close	Previous	High/Low	
Mar	19.17	19.10	19.24	19.05
May	19.55	19.47	19.62	19.42
Jul	19.81	19.75	19.85	19.71
Aug	19.87	19.80	19.88	19.73
Sep	19.88	19.81	19.92	19.83
Oct	19.88	19.83	19.95	19.83
Dec	20.02	19.95	20.08	19.90
Jan	20.03	20.00	20.10	20.00

SOYABEAN MEAL 100 tons; $/ton

	Close	Previous	High/Low	
Mar	167.9	167.6	168.4	166.8
May	171.1	170.9	171.6	170.1
Jul	174.1	173.7	174.5	173.0
Aug	175.8	175.2	176.3	174.8
Sep	177.7	177.1	178.1	176.8
Oct	179.0	178.5	179.8	178.5
Dec	182.0	181.6	182.5	181.0
Jan	183.7	183.0	184.0	182.5

MAIZE 5,000 bu min; cents/56lb bushel

	Close	Previous	High/Low	
Mar	238/2	239/4	238/6	237/6
May	243/6	244/0	244/2	243/2
Jul	247/6	248/2	248/4	247/4
Sep	246/2	247/2	247/2	246/2
Dec	244/0	245/4	245/2	243/4
Mar	250/2	252/0	251/0	250/0
May	254/0	255/4	254/6	253/6

WHEAT 5,000 bu min; cents/60lb-bushel

	Close	Previous	High/Low	
Mar	375/6	376/0	379/4	375/0
May	362/6	363/0	366/0	362/4
Jul	347/4	347/4	349/4	347/0
Sep	354/0	353/9	356/0	353/6
Dec	365/4	365/0	367/2	364/6
Mar	372/0	372/4	372/4	371/0

LIVE CATTLE 40,000 lbs; cents/lbs

	Close	Previous	High/Low	
Feb	79.35	79.95	79.95	79.27
Apr	76.02	77.07	76.97	76.00
Jun	71.80	72.62	72.57	71.70
Aug	70.85	71.17	71.30	70.75
Oct	71.45	71.92	72.00	71.40
Dec	72.50	72.80	72.80	72.50

LIVE HOGS 30,000 lb; cents/lbs

	Close	Previous	High/Low	
Feb	48.70	49.42	49.72	48.62
Apr	46.87	47.32	47.47	46.82
Jun	52.42	52.75	52.97	52.32
Jul	52.37	52.70	52.90	52.30
Aug	51.05	51.15	51.45	51.00
Oct	46.35	46.47	46.50	46.25
Dec	46.65	46.92	47.00	46.65
Feb	46.80	47.12	47.15	46.80

PORK BELLIES 40,000 lbs; cents/lb

	Close	Previous	High/Low	
Feb	50.45	50.90	51.55	50.25
Mar	50.82	51.17	52.02	50.75
May	52.05	52.17	52.30	51.95
Jul	52.12	52.60	53.05	52.10
Aug	50.37	50.65	51.10	50.30
Feb	[illegible]	[illegible]	[illegible]	[illegible]
Mar	[illegible]	[illegible]	[illegible]	[illegible]

LONDON STOCK EXCHANGE

Equities regain recent support level

A STEADIER performance in Tokyo and New York helped the London equity market regain its most recent support level yesterday. Investment institutions resumed their cautious move into the defensive sectors of the market, notably the financials area, and oil shares advanced on the back of US and domestic buying.

Account Dealing Dates		
First Dealings:		
Jan 15	Jan 29	Feb 12
Option Declarations:		
Jan 25	Feb 8	Feb 22
Last Dealings:		
Jan 26	Feb 9	Feb 23
Account Day:		
Feb 5	Feb 19	Mar 5

*New time dealings may take place from 8.00 am two business days earlier

The broad range of the market was quiet, however, with most of the activity focused around a trading programme operated by BZW, the London investment bank. The programme, worth "slightly in excess of £250m" and involving more than 500 securities in the market's alpha, beta and gamma sections, was struck at prices quoted on Tuesday at 1700 hours, according to BZW. Traders at other firms believed the programme was fairly evenly split between the buy and sell side of the ledger.

After moving up smartly in early trading, London appeared less willing to follow Wall Street as it opened the new session firmly, awaiting the State of the Union Message to Congress by President Bush. However, with the Dow Jones Industrial Average 36 points ahead, the London equity market turned higher in late dealings to close at the best of the trading session.

At its final reading of 2,337.3, the FT-SE Index was 15.3 points up on the session. The recapture of the Footsie 2,330 mark reinforced the opinion of many equity strategists that this is the lower end of a new trading range established since the shakeout in mid-January.

At Prudential-Bache, Mr Bill Smith said that the re-appearance of "value-orientated buyers" below FT-SE 2,330 reflected the market's favourable response to the UK December trade figures, reported on Friday, and to some aspects of this week's survey of business opinion by the Confederation of British Industries.

Both indicated an improvement in export trends and this, reflected in a firm pound this week, has encouraged a more optimistic adjustment in interest rate expectations, according to Mr Smith. There is now much less fear that rates will go up, and lower rates are still expected later this year.

Turnover yesterday was very selective; an increase in Seaq volume to 571.9m shares from Tuesday's 492.1m leaned heavily on the BZW trading programme. There was brisk trading in British Telecom (17m shares), Sears (17m) and BP (10m) but, in contrast, near-derisory trading volume was recorded in many other big name stocks.

The advances in market indices were strongly influenced by sharp gains among the large insurance stocks, although the most favoured speculative story of the session was knocked down before the close when UAP of France said it did not intend to bid for Sun Life, the UK insurer, in which it has a 26 per cent stake.

Overseas buyers for Telecom

A sustained bout of institutional buying of British Telecom, much of it said to have come from the US and the Continent, saw the shares move sharply higher in heavy turnover.

By the close of trading BT were 6 firmer at 301p with turnover expanding to 18m shares, well above normal levels.

Dealers and analysts said there were many reasons behind the good performance, but concluded that the overwhelming factor was that the shares were "cheap by international comparison," as one specialist put it.

The stock was marked up at the start of trading when a single deal of 2.1m shares registered on the overnight ticker. It was thought to be part of a programme trade and was said to have led to covering of short positions by marketmakers. Sentiment was also boosted by suggestions in a trade magazine that the group would announce big cuts in capital expenditure, when it revealed third quarter results on February 8.

S.G. Warburg forecasts pretax profits of £680m for the third quarter, against £623m, in the same period last year, while BZW is predicting £710m.

STC in favour

BZW, the UK investment bank, was behind a good performance by STC, the electronics group, which is scheduled to announce preliminary figures towards the end of next month. Mr Paul Norris of the BZW electronics team changed his stance on the stock to "trading buy", having been recommending clients to hold an underweight stance for the past year.

He stuck with his forecast of pre-tax profits of £260m for the year, compared with the previous year's £230m, but said he expected STC to reassure the City on its future prospects. STC shares have underperformed the market by 18 per cent over the past three months and by 30 per cent over the year, said Mr Norris, who added that the shares would yield 4 per cent on the final dividend alone.

The stock was upset in the last quarter of 1989 by a series of profits downgradings, but has rallied recently as Siemens bought 51 per cent of Nixdorf and the market picked up hints that a European or Japanese group might seek a sizeable stake in STC's ICL computer subsidiary. At the close, STC shares were 9 higher at 257p with turnover reaching 3m.

UAP denial

The months-long takeover speculation in Sun Life, the life assurance group, boiled up again during early trading, and sent the shares sharply higher for most of the session. But a denial from Union des Assurances de Paris (UAP), that it intended to launch a full bid for Sun Life saw the UK group's shares fall back again to end the day only a fraction up on balance.

Sun Life had risen strongly over the previous two trading sessions on UAP bid stories which were fuelled by talk of fund-raising by the French group. But UAP said yesterday it was happy with its current agreement – a reference to the accord it made last October with Transatlantic, holder of a 29.8 per cent stake in Sun Life. Under the terms the two shareholders said they would retain their shares with each having the right to acquire each other's shares at an agreed price.

Analysts said it was unlikely that a third party would emerge as a bidder – with UAP, Transatlantic and Sun Alliance accounting for around 60 per cent of the issued capital – and that it was more likely that UAP would take advantage of any rights issue from Sun Life to mop up stock and increase its stake to 29.9 per cent. "UAP already has two directors on the Sun Life board and it can exert its influence via them," said one specialist.

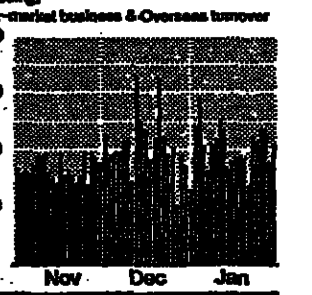
Guardian Royal Exchange put on 3 to 256p but dealers were quick to highlight the increase in the volume of shares moving through the market (4.4m) and continued to ponder the possibility of stake-building in the stock. Sun Alliance added 6 at 325p on 1.1m and General Accident 14 at 1146p on 762,000.

The oils were among the market's best performing sectors with share price driven higher by a mixture of UK and overseas buying. Kleinwort Benson acknowledged they were strong supporters of the sector. Mr Philip Lambert, of the Kleinwort oils team said oil shares were the "recipients of solid institutional buying and US marginal buyers and it is the US buying that pushes up prices dramatically." He pointed to big turnover in BP, British Gas and LASMO.

FT-A All-Share Index

Equity Shares Traded

Turnover by volume (million)
Excluding:
Intra-market business & Overseas turnover



BP, which announced new reserves at the Wytch Farm oil field, moved up 7 to 341p on turnover of 10m. The Wytch Farm news had only minor impact on BP but prompted good support for other participants in the field. Clyde edged up 2 to 172p, Kelt 3 to 31½ and Goal 3 to 99p. Premier rose 6 to 113p.

LASMO, whose share price, according to Kleinwort, "still does not reflect the quality of its international acreage bank which is the envy of many international oil companies," advanced 19 to 629p. Enterprise Oil, where Elf has a 25 per cent stake and has publicised its intention of increasing its oil reserves, rose 15 to 663p.

Tuesday's recommendation for approval for wider use of Retrovir, Wellcome's Aids drug, by the advisory committee to the US Food and Drug Administration had been discounted. Wellcome fell 10 to 714p. US sellers of Reuters left the shares 14 off at 989p.

The chemical sector did not have a buoyant day. BOC shed 5 to 530p, following a cautious estimate from Smith New Court of first quarter profits, due on February 8. Analysts remained confident about the company's prospects for the full year, but a change in accounting policy, combined with the company's historically weak performance in the first quarter, led to some selling on a quiet day.

Foseco dropped 7 to 285p, as analysts foresaw declining demand from the company's customer base, mainly in the steel industry. Robert Fleming released a sell recommendation, predicting that the shares would underperform for the year.

News that Canadian newspaper group Hollinger intended to increase its near-9 per cent stake in United Newspapers helped the latter's shares recover from recent falls. United firmed 10 to 416p. Hollinger said it did not plan to make a hostile bid for the company.

A 12 per cent increase in full-year profits from Allied Textiles pushed the shares 4 ahead to 364p.

Pentland staged a late run after publication of figures from 32 per cent-owned US company Reebok International. Reebok's income before tax in the fourth quarter of 1989 was sharply higher at \$34.95m, compared with \$6.72m. Pentland added 5 at 79p.

Press comment about the Challenger-2 tank contract boosted Vickers, which put on 3 to 214p, although Mr Nick Cunningham, of Laing & Cruickshank, commented that the likely size of the eventual tank order was likely to be considerably lower than original estimates. The stake held in the company by Sir Ron Brierley is still regarded as supporting the share price. Rolls Royce were helped by news of a new order for the V2500 engine, which had been largely anticipated, and rose 2 to 179p.

Shares in the food hygiene control and pollution monitoring equipment manufacturer TACE rallied by 2 at 150p, following the announcement of reduced profits and an optimistic statement by the chairman on Monday.

Birmingham Mint improved by 5 to 91p after a foreign debtor repaid it £507,000 which had previously been written off.

Platignum's interim results pleased traders and the shares held level for the day at 6p. One dealer commented that the shares were quite attractive at the price.

Textiles company A.J. Worthington released interims which dealers found "mainly encouraging," and the shares were marked up 2 to 43p on thin trade.

Most brewery stocks had a quiet day. Bass was the weakest, falling 18 to 1010p amid stories that a line of 1m shares being touted around the market.

One exception was Scottish and Newcastle, where a welter of largely disbelieved bid stories underpinned the share price. Among those mentioned yesterday as possible buyers of Elders' near 24 per cent stake in the company were Rank Organisation, Grand Metropolitan, Hanson, and a consortium of three smaller brewers: Vaux, Greenall Whitley and Wolverhampton and Dudley. Scottish and Newcastle peaked at 239p before settling at 234p, up 4 on the day.

GrandMet lost early small gains to end unchanged at 617p. Vaux slipped a penny to 302p, Greenall Whitley added 2 at 332 and Wolverhampston and Dudley closed unchanged at 417p

Rank Organisation rallied on further consideration of the implications of the announcement last week of a rights issue. The shares climbed 10 to 804p on thin turnover of 458,000.

Dixons recovered 6 to 131p as Mr David Robinson, the analyst at Nikko Securities, published a buy note. He highlighted the yield of 5.7 per cent and the likelihood of speculative support as the Monopolies and Mergers Commission considers the bid from Kingfisher.

A profits downgrading from UBS Phillips & Drew on Sears triggered busy trade in the stock. Mr Charles Nichols at UBS cut his forecast for the year to January 1991 from £205m to £180m. He said that the year would be tough for the retailing sector and that Sears was exposed to particularly vulnerable areas such as mail order, footwear and housebuilding. The shares slipped 3¼ to 99p as 17m changed hands in the market.

A 16 per cent fall in interim profits from W.H. Smith confirmed the views of the most pessimistic stores analysts. The "A" shares continued Tuesday's decline, slipping another 4 to 317p. Sock Shop recovered some of Tuesday's rapid retreat, adding 5 at 65p.

Continuing vague bid talk helped Cadbury-Schweppes climb another 8 to 359p. Turnover in equities was unexceptional at 1.8m shares, but the contact was the fourth busiest in the traded options market where 1131 contracts were exchanged. Each contract is an option on 1,000 shares.

Laing Properties dropped 21 to 574p, as press comment helped to douse expectations of a bid from Chelsfield, which holds a 14 per cent stake. One dealer described it as a "Stand-off at the OK Corral". Valuations of the stock at around the 700p level meant that it was already heavily over-priced, once capital gains tax was taken into account, according to one marketmaker. An element of profit-taking was also reported.

Mountleigh rose 7 to 160p, following the decision by Mr Nelson Peltz and Mr Peter May, who effectively control the company, to exercise some share options; the move had been widely anticipated. Clayform rallied 15 to 238p, buoyed by buying following what was regarded as a period of underperformance. The rise was considered technical. Helical Bar, off 7 at 275p, announced another share buy-in, and then went into what one dealer described as "purdah" before their annual results.

A profit increase of 43 per cent boosted USM-quoted Moorfield Estates by 10 to 102p in low volume. Dealers considered the results to be good, although illiquidity helped to exaggerate the rise in the share price. The property leaders had a quiet day, with both Land Securities and MEPC up a penny, at 500p and 497p respectively.

Unitech fell 11 to 372p ahead of preliminary figures scheduled for next Tuesday. Analysts are forecasting pre-tax profits of £11.75m.

Other Market statistics, including the FT-Actuaries share index, recent issues (including the water issue stocks), Page 22

NEW HIGHS AND LOWS FOR 1989/90

NEW HIGHS (17).
STORES (1) Brown & Jackson, HOTELS (1) Allied Leis., INDUSTRIALS (2) Hafslund Nycomed "A", Do. "B", INSURANCE (1) Sun Life, PAPERS (1) TMD Advertising. SOUTH AFRICANS (2) New Klein Props., OK Bazaars. TRUSTS (1) Frost, OILS (4) Aviva Pet., Gt. Western Res. Class A, Hardy Oil & Gas, LASMO, MINES (4) Eastern Trans. Cons., Homestake, Kidston Gold, Rand Mines.

NEW LOWS (91).
INT.BANK & O'SEAS GOVT. STLG. ISSUES (1) Euro. Inv. Bank, AMERICANS (7) Bowater, Brunswick, Chemical Banking, Contl. Bank, Dana, Data Gen., Whitman, CANADIANS (5) Gandalf Tech., Granges, Muscocho, Nova Corp of Alb., Rio Algom, BREWERS (1) Eldridge Pope "A", BUILDINGS (2) Lafarge Coppee, Rush & Tompkins, STORES (4) Coles Myer, Gabicci, Great Universal, Martin (A), ELECTRICALS (2) Black & Decker, Isopad, ENGINEERING (1) VSEL Consortium, INDUSTRIALS (6) Cresta, Enoor, Fletcher Chlnge., Norcros, Rock, Ropner "A", LEISURE (3) Capital Radio, Millwall, TVS Ent., PAPERS (3) Goodhead, Klearfold, Lawson Mardon, PROPERTY (5) Priest Mariana, Do. 6½pc Ln 2000/03, Regentcrest, Trafford Park, Waterglade 7¾pc Pf., SHOES (1) Strong & Fisher, TEXTILES (2) Faupel Trading, Lister, TRANSPORT (2) Cons Freightways, TNT, TRUSTS (3) Brit. & Comm., L.I.T., Sphere Inv., OILS (2) Coastal Crp., Int. Pet. Crp., THIRD MARKET (1) Courtyard Leis.

TRADING VOLUME IN MAJOR STOCKS

Stock	Volume 000's	Closing Price	Day's change
[illegible]	[illegible]	[illegible]	[illegible]

Based on trading volume for most Alpha securities dealt through the SEAQ system yesterday until 5 pm.

FINANCIAL TIMES STOCK INDICES

	Jan 31	Jan 30	Jan 29	Jan 26	Jan 25	Year Ago	1989/90 High	1989/90 Low	Since Compilation High	Since Compilation Low
Government Secs	81.55	81.64	81.77	81.64	81.60	88.45	89.29 (8/2/89)	81.04 (18/1/90)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Interest	91.09	90.92	90.94	90.85	90.95	97.17	99.59 (15/3/89)	90.85 (26/1/90)	105.4 (28/11/47)	50.53 (3/1/75)
Ordinary Share	1864.0	1853.0	1883.9	1851.5	1835.5	1665.4	2008.6 (5/9/89)	1447.8 (3/1/89)	2008.6 (5/9/89)	49.4 (26/6/40)
Gold Mines	358.0	364.5	369.8	370.9	371.5	187.0	371.5 (25/1/90)	154.7 (17/2/89)	734.7 (15/2/83)	43.5 (26/10/71)
FT-SE 100 Share	2337.3	2322.0	2328.8	2314.5	2289.9	2039.7	2463.7 (3/1/90)	1782.8 (3/1/89)	2463.7 (3/1/90)	986.9 (23/7/84)
Ord. Div. Yield	4.60	4.62	4.60	4.62	4.66	4.40				
Earning Yld %(full)	11.13	11.23	11.22	11.29	11.37	11.02				
P/E Ratio(Net)(*)	10.87	10.77	10.79	10.73	10.65	11.00				
SEAQ Bargains(5pm)	26,711	25,903	27,369	29,453	25,227	39,612				
Equity Turnover(£m)†	-	757.35	674.11	942.16	1003.09	1843.41				
Equity Bargains†	-	26,504	26,804	29,544	25,957	51,847				
Shares Traded (ml)†	-	415.6	351.9	472.3	472.0	700.3				

Basis 100 Govt. Secs 15/10/26, Fixed Int. 1928, Ordinary 1/7/35, Gold Mines 12/9/55, Basis 1000 FT-SE 100 31/12/83. * Nil 11.62.

Ordinary Share Index, Hourly changes — Day's High 1864.0 — Day's Low 1846.1

Open	10 a.m.	11 a.m.	12 p.m.	1 p.m.	2 p.m.	3 p.m.	4 p.m.
1846.1	1853.6	1863.7	1859.5	1861.5	1862.0	1863.1	1861.8

FT-SE, Hourly changes — Day's High 2337.4 — Day's Low 2314.9

Open	10 a.m.	11 a.m.	12 p.m.	1 p.m.	2 p.m.	3 p.m.	4 p.m.
2314.9	2324.9	2325.6	2332.4	2334.9	2334.7	2336.1	2333.5

GILT EDGED ACTIVITY

Indices*	Jan 30	Jan 29
Gilt Edged Bargains	89.6	96.0
5—Day average	97.2	98.2

*SE Activity 1974. †Excluding intra-market business & Overseas turnover. Calculation of the FT Indices of daily Equity Bargains and Equity Value and of the five-day averages of Equity Bargains and Equity Value, was discontinued on July 31. Closing values for July 28 available on request.

London report and latest Share Index: Tel. 0898 123001.

LONDON SHARE SERVICE

BRITISH FUNDS

1989/90 High	Low	Stock	Price £	+ or –	Yield Int.	Yield Red.
"Shorts" (Lives up to Five Years)						
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Five to Fifteen Years						
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Over Fifteen Years						
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Undated						
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

BRITISH FUNDS—Contd

1989/90 High	Low	Stock	Price £	+ or –	Yield Int.	Yield Red.
Index-Linked					(1)	(2)
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

INT. BANK AND O'SEAS

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

CORPORATION LOANS

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

COMMONWEALTH & AFRICAN LOANS

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

LOANS

Building Societies

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Public Board and Ind.

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

FOREIGN BONDS & RAILS

1989/90 High	Low	Stock	Price £	+ or –	Div %	Red. Yield
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

AMERICANS

1989/90 High	Low	Stock	Price £	+ or –	Div Gross	C'vr	Y'ld Gr's
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

AMERICANS—Contd

1989/90 High	Low	Stock	Price £	+ or –	Div Gross	C'vr	Y'ld Gr's
12	868p	Bio-Rad Labs. A	913p	-10	–	–	–
20¼	13¼	Bowater Inc.	13¼	-½	\$1.20	–	5.2
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

CANADIANS

1989/90 High	Low	Stock	Price £	+ or –	Div Gross	C'vr	Y'ld Gr's
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Continued on next page

APPOINTMENTS

Finance director of STC

■ Mr Les Cullen becomes finance director of STC on March 1. He succeeds Mr R.A. Gardner who last year was appointed managing director of STC Communications Systems. Mr Cullen was group financial controller of Grand Metropolitan. Dr Nigel Horne is resigning as director, technical and corporate development, from February 28 to become a consultant. The following have been appointed non-executive directors: Mr David W. Kendall, deputy chairman of British Coal; Mr A.W.P. Stenham, chairman Europe, Middle East and Africa, Bankers Trust Company of New York; Mr F. Sinclair Thomson, chief executive, Hepworth; and Dame Anne Mueller, recently retired second permanent secretary, Treasury; who joins on March 23.

■ Mr Peter Gummer, chairman of Shandwick, has been appointed a non-executive director of CIA GROUP.

■ Mr J. David Kay has joined the main board of M.J. GLEESON GROUP. He is managing director of the group's northern construction division. Mr Bob Jukes joins the board of the southern construction division, and Mr George Proud becomes managing director of the new Midlands construction division.

■ NORMANS GROUP has promoted Mr Michael Swan from deputy chairman to chairman, and Mr David Wallis to chief executive. Mr Michael Slocock, previously chairman and chief executive, has resigned from the board.

■ Mr Tom Lesica has been appointed managing director of BLACK MILLWORK CO INC, Burton on Trent, UK distributor of Andersen windows and doors from the US. He was vice president of Sturtevant Millwork Co Inc, Long Island, New York.

■ Mrs Sue Tidswell has been promoted from sales manager to associate director at R.R. DONNELLY (UK), London financial printing subsidiary of R.R. Donnelly & Sons Co, Chicago.

■ Mr David Codd has been appointed legal adviser for TEXACO from February 5. He was senior legal adviser for Conoco, and held a similar post with Britoil.

■ WINCANTON DISTRIBUTION SERVICES has appointed Mr Chris Sturman to the new post of development director - distribution division.

■ BRITANNIA BUILDING SOCIETY, Leek, has appointed Mr Vincent Denham as head of corporate quality. He was manager of the Manchester office.

Mr Ian Milburn (above) has been appointed deputy managing director of NISSAN's European Technology Centre, which will have facilities at Sunderland and Cranfield, Beds, due to open in autumn 1991. This is the first such facility to be set up in the UK by a Japanese vehicle manufacturer. Mr Milburn joins from Ford of Europe.

■ Mr Richard Wade has been appointed director-general of THE ADVERTISING ASSOCIATION from February 26, succeeding Mr Roger Underhill who is retiring. Mr Wade was managing director of Business in the Cities, a consortium of the CBI, The Phoenix Initiative and Business in the Community.

Ford design director

■ Mr David C. Turner has been appointed director, design, for FORD OF EUROPE, and will be based at Dunton, Essex. He was director, advanced concepts and industrial design, Detroit, and succeeds Mr Andy Jacobson who has returned to the US as director, truck design.

■ BRABANT RESOURCES, Tonbridge, an oil and gas exploration company, has appointed Mr Nigel F. Swiffen as chairman. He is chairman of Hallam Polymer Engineering.

■ Bayford Energy, Wetherby, has appointed Mr Martin Platt to the board of its parent company BAYFORD & CO as group commercial director. He was group commercial manager.

■ HILL SAMUEL BANK has appointed the following as directors: in commercial banking - Mr John Ledbury and Mr Paul Temple; in treasury - Mr Alistair Gidman; in corporate finance - Mr Philip Bonney, Mr Richard Meddings, and Mr Johnny Reed; in accounts - Mr Mike Gray and Mr Ian Sproule; and in administration - Mr John Spurrier.

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BANKS, HP & LEASING

1989/90 High	Low	Stock	Price	+ or –	Div Net	C'vr	Y'ld Gr's	P/E
*303	216	ANZ SA1	285	–1	44c	1.4	7.4	9.6
191	134	Abbey National 10p	183	.....	L7.7	2.7	5.6	7.5
*282	120½	Allied Irish Ord	264	+1	Q68%	3.3	3.1	13.6
£13½	£11½	Algemene Fl.10	£12½	.....	Q28%	2.0	7.4	6.8
*80	61	Anglo Irish	73	.....	Q18.7%	2.7	6.0	10.0
81	57	Ansbacher (H.) 1p	75	.....	2.0	–	3.6	–
£72¼	£38½	Bancaire Cie Fr100	£60⅞	–⅛	Q12¼%	–	2.2	–
£46¾	£35⅛	Banco Bilbao Vlz	£38¼	–⅛	Q35.7%	2.0	3.5	14.2
£33	£26⅝	Banco de Santander	£27⅝	.....	Q21%	2.4	2.9	14.3
*286	169	Bank Ireland Ir£1	266	+4	Q12.3%	3.2	4.4	9.1
£19½	£17½	Bank Leumi	£19½	.....	–	–	–	–
350	345	Bank Leumi (U.K.)	345	.....	†13.5	–	5.2	–
125	88	Bank Scotland	118	+1	†3.8	3.6	4.3	8.5
111¼	95½	Do. 9¼pc Irrd Pf	97¼	.....	9¼%	–	12.7	–
*67	49	Bank of Wales	54	.....	2.8	1.6	6.9	11.3
*582	404	Barclays £1	576	+9	†23.0	3.5	5.3	6.6
31	19	Benchmark 20p	20	.....	1.63	1.0	10.8	11.5
363	285	Brown Shipley £1	321	.....	†10.5	–	4.4	–
455	325	Cater Allen £1	415	.....	23.5	–	7.6	–
259	157	Chancery	174	–1	†8.0	2.8	6.1	7.7
£23	£14½	Commerzbk DM10	£20⅞	–⅛	Q18%	–	3.2	–
*£29	£22¾	C'hgn Hbk.Kr100	£25¼	.....	Q15%	–	5.4	–
£16⅞	£10	Dai Ichi KBk Y50	£12½	.....	†Q16%	8.8	0.3	42.3
*£314¼	£156¼	Deutsche Bk DM50	£289	+1	Q24%	–	1.5	–
£22¼	£17⅞	Espirito Santo	£19¼	.....	Q75c	3.3	2.3	13.4
260	182	First Nat. Fin. 10p	220	–2	13.0	♦	7.9	♦
134	90	FNFC 6.3pc CnRedPref	111	–1	6.3%	–	7.6	–
£16⅞	£13½	Fuji Bank Y50	£14⅞	.....	Q15.6%	4.2	0.2	–
325	230	Gerrard & National	285	.....	18.5	–	8.7	–
154	118	Guinness Mahon 10p	154	.....	42.1	–	1.8	–
300	197	Hambros 20p	290	+4	†10.0	–	4.6	–
116	90	Do. 7.5pc Cv Pf	116	+1	7½%	–	8.6	–
60	39	HK & Shang. HK$2.50	55	–½	HQ36c	–	5.3	–

Hire Purchase, Leasing, etc.

BEERS, WINES & SPIRITS

BUILDING, TIMBER, ROADS

BUILDING, TIMBER, ROADS – Contd

CHEMICALS, PLASTICS

DRAPERY AND STORES

ELECTRICALS

ELECTRICALS – Contd

ENGINEERING

ENGINEERING – Contd

FOOD, GROCERIES, ETC

HOTELS AND CATERERS

INDUSTRIALS (Miscel.)

INDUSTRIALS (Miscel.) – Contd

INSURANCES

LEISURE

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MOTORS, AIRCRAFT TRADES

Commercial Vehicles

Components

Garages and Distributors

NEWSPAPERS, PUBLISHERS

PAPER, PRINTING, ADVERTISING

PROPERTY

PROPERTY—Contd

SHOES AND LEATHER

SOUTH AFRICANS

TEXTILES

TOBACCOS

TRANSPORT

TRUSTS, FINANCE, LAND

Investment Trusts

TRUSTS, FINANCE, LAND—Contd

Finance, Land, etc

WATER

For other Water Issues see London Recent Issues

OIL AND GAS

OIL AND GAS—Contd

OVERSEAS TRADERS

PLANTATIONS

Rubbers, Palm Oil

Teas

MINES

Central Rand

Eastern Rand

Far West Rand

O.F.S.

Diamond and Platinum

Central African

Finance

Australians

Tins

MINES—Contd

Miscellaneous

THIRD MARKET

*3¼	1¼	Swagard Studios 1p γ	1½	......	–	–	–	7.2
11	2½	Systems Connection 2½p γ	3½	......	–	–	–	3.9
50	28	Tavern Leis. 20p ... α	35	–1	♦	–	–	–
115	28	Tomorrows Leisure 20p γ	89	......	–	–	–	33.9
113	40	UPL Group 10p ..... γ	40	......	‡2.75	1.9	‡	7.6
150	128	Unit Group .... γ	133	+2	5.0	3.3	5.0	7.6
100	66	Video Magic Leis. 1p γ	89	......	W2.0	0.7	3.0	71.4
14	4¼	Vista Ents 5p .... γ	4¼	......	–	–	–	–
40	15	Vizcaya Hldgs 5p .. γ	18	......	–	–	–	–
46½	23	Whitegate Leisure 20p γ	40	......	0.25	♦	0.8	♦
32½	10	Do. Wrrnts .... γ	26	–1	–	–	–	–
10¼	4½	Wilton Group 1p ... γ	4½	......	–	–	–	–

NOTES

Stock Exchange dealing classifications are indicated to the right of security names: α Alpha, β Beta, γ Gamma.

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation and unrelieved ACT where applicable; bracketed figures indicate 10 per cent or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Yields are based on middle prices, are gross, adjusted to ACT of 25 per cent and allow for value of declared distribution and rights.

- ● "Tap Stock"
- * Highs and lows marked thus have been adjusted to allow for rights issues for cash
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ‡‡ Tax-free to non-residents on application
- ♦ Figures or report awaited
- ♥ Not officially UK listed; dealings permitted under rule 535(4)(a)
- ♣ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ‡‡ Not officially listed.
- ‡ Price at time of suspension
- ¶ Indicated dividend after pending scrip and/or rights issue; cover relates to previous dividend or forecast.
- ♦ Merger bid or reorganisation in progress
- ♦ Not comparable
- ♦ Same interim; reduced final and/or reduced earnings indicated
- § Forecast dividend; cover on earnings updated by latest interim statement.
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ☆ Cover does not allow for shares which may also rank for dividend at a future date. No P/E usually provided.
- ▮ No par value

B.Fr. Belgian Francs. Fr. French Francs ¶¶ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. a Annualised dividend. b Figures based on prospectus or other offer estimate. c Cents. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. v Subject to local tax. x Dividend cover in excess of 100 times. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1988-89. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1989. K Dividend and yield based on prospectus or other official estimates for 1990. L Estimated annualised dividend, cover and P/E based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1988. N Dividend and yield based on prospectus or other official estimates for 1989-90. P Figures based on prospectus or other official estimates for 1987. Q Gross. R Forecast annualised dividend, cover and p/e based on prospectus or other official estimates. T Figures assumed. W Pro forma figures. Z Dividend total to date. Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xd ex capital distribution.

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

Albany Inv 20p .... γ	85	......
Craig & Rose £1 .. γ	830	......
Finlay Pkg. 5p ..... γ	58	+2
Holt (Jos) 25p ..... γ	1340	–8

IRISH

Cap. 8½% Ln. 1991 ..	£96⅞	+⅛
9pc Cap Ln. 1996 ..	£95½	+¼
Fin. 13% 97/02 ...	£114	......
Arnotts	410	......
Carrol (P.J.) ...... γ	155	–5
Hall (R. & H.)	190	......
Helton Hldgs ..... γ	180	......
IRG	285	......
United Drug	160xd	......

TRADITIONAL OPTIONS

3-month call rates

Industrials	p
Allied-Lyons	41
Amstrad	6½
Astec (BSR)	5¼
BAT	67
BOC Grp	44
BTR	37
Barclays	40
Blue Circle	20
Boots	23
Bowaters	39
Brit Aerospace	46
British Steel	9
Brit. Telecom	22
Cadburys	31
Charter Cons	42
Comm Union	40
Courtaulds	31
Eurotunnel	65
FKI	8
FNFC	22
Gen Accident	92
GEC	19
Glaxo	60
Grand Met	44
Guardian	19
GKN	33
Hanson	18
Hawker Sidd	55
ICI	90
Jaguar	85
Ladbroke	25
Legal & Gen	31
Lex Service	26
Lloyds Bank	21
Lucas Inds	54
Marks & Spencer	16
Midland Bk	26
Morgan Grenfell	38
Nat West Bk	25
P & O Dfd	51
Polly Peck	38
Racal Elect	20
RHM	39
Rank Org Ord	72
Reed Intnl	34
STC	25
Sears	9
SmKl. Beecham A	48
TI	38
TSB	9
Tesco	16
Thorn EMI	63
Trust Houses	23
T&N	16½
Unilever	57
Vickers	22
Wellcome	55

Property	
Brit Land	27
Control Secs	5
Land Securities	45
MEPC	45
Mountleigh	13

Oils	
Brit Petroleum	25
Burmah Oil	65
Charterhall	2½
Conroy Petlm	9
Premier	18½
Shell	37
Tuskar Res	12
Ultramar	28½

Mines	
Lonrho	23
RTZ	45

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AUTHORISED UNIT TRUSTS

Norwich Union Tst Managers (1200)H
PO Box 124, 51/59 Rose Lane, Norwich 0603 682294

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Master Trust	4	95.57	95.57	101.46	-0.59	2.52
UK Equity†	6	98.35	100.20	106.60	+0.11	3.21
UK Equity Income	6	96.35	98.49	104.77	-0.06	4.77
UK Smaller Co's	6	87.90	93.65xd	99.63	+0.05	2.52
UK Equity Growth	6	94.88	96.81	102.97	+0.02	2.58
UK Index Tracking† F	4	101.25	102.08	108.60	-0.26	4.07
International	6	160.50	162.43	172.80	-1.46	0.61
European	6	139.05	141.23	150.23	-0.59	0.96
Nth American	6	104.15	105.18	111.89	-1.04	2.43
Nth Amer Smllr Cos	4	79.33	80.74	85.89	-1.42	0.00
Japanese	6	94.74	96.20	102.34	-1.27	0.00
Pacific	6	143.21	144.91xd	154.16	-0.12	0.49
South East Asian	6	103.80	105.47	112.20	-0.53	0.25
International Bond	4	92.87	94.15xd	100.16	-0.99	6.91
Gilt & Convertible	4	91.95	92.40xd	98.30	-0.45	9.56

PK English Trust (Isw Man) Ltd (1800)F
12 Carthusian St, London EC1M 6EB 01-790 1200

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
American*	4	59.82	60.22	62.91	----	0.0
Far Eastern*	4	184.08	188.32	195.81	----	0.1
Growth*	4	180.46	192.36	203.97	+3.0	3.5
Income†	4	144.38	146.15	155.40	-0.27	5.2
Scandinavian†	4	74.19	74.19	77.18	-2.41	0.3

† Dealing Day: Wed. *Dealing day: Thurs.

GUIDE TO UNIT TRUST PRICING

INITIAL CHARGES
These represent the marketing, administrative and other costs which have to be paid by new purchasers. These charges are included in the price when the customer buys units.

OFFER PRICE
The price at which units may be bought.

BID PRICE
The price at which units may be sold.

CANCELLATION PRICE
The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, unit trust managers quote a much narrower spread. As a result, the bid price is often set well above the minimum permissible price which is called the cancellation price in the table. However the bid price might be moved to the cancellation price in circumstances in which there is a large excess of sellers of units over buyers.

TIME
The time shown alongside the fund manager's name is the time at which the unit trusts' daily dealing prices are normally set unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows. ♥ - 0001 to 1100 hours, ♦ - 1101 to 1400 hours, ♣ - 1401 to 1700 hours, ♠ - 1701 to midnight.

HISTORIC PRICING
The letter H denotes that the managers will deal on a historic price basis. This means that investors can obtain a firm quotation at the time of dealing. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis.

FORWARD PRICING
The letter F denotes that prices are set on a forward basis so that investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper show the prices at which deals were carried out yesterday.

SCHEME PARTICULARS AND REPORTS
The most recent report and scheme particulars can be obtained free of charge from fund managers. Other explanatory notes contained in last column of the FT Unit Trust Information pages.

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INSURANCES

Barclays Life Assur. Co Ltd—Contd.

	Bid Price	Offer Price	+ or −	Yield Gross
Spec Sits Fd Accum	154.5	162.7	−0.7	−
Universal Tec Accum	117.9	124.2	−1.0	−
Smaller Co's Accum	123.8	130.4	−0.6	−
Do Initial	115.3	121.4	−1.0	−
Managed Pns Accum	576.0	606.4	−1.2	−
Equity Pns Accum	234.3	246.7	−0.1	−
Initial Pns Accum	171.2	180.3	−1.0	−
Gilt-edged Pns Accum	374.5	394.3	−1.5	−
Money Pns Accum	354.5	373.2	+0.1	−
Property Pns Accum	176.7	186.0	....	−
"500" Pens Accum	104.6	110.2	+0.1	−
Income Pens Accum	114.6	120.7	−0.3	−
Smaller Cos Pens Accum	111.1	117.0	−0.6	−
Special Sits Pens Accum	94.5	99.5	−0.4	−
Financial Pens Accum	104.4	109.9	−0.2	−
Leisure Pens Accum	109.7	115.5	+0.6	−
America Pens Accum	105.6	111.2	−1.4	−
Australia Pens Accum	106.4	112.0	−0.1	−
European Gwth Pens Accum	149.3	157.2	+0.3	−
Japan & Gen Pens Accum	109.8	115.6	−0.4	−
Universal Tech Pens Accum	102.6	108.1	−0.9	−
Pens Deposit Accum	....	....	....	12.0

For prices of Initial Units phone 01-534 5544.

Black Horse Life Ass. Co Ltd

Mountbatten Hse, Chatham, Kent. 0634 834000

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	Bid Price	Offer Price	+ or –	Yield Gross
National Financial Management Corp PLC				
72 Gatehouse Rd, Aylesbury, HP19 3XJ 0296 395539				
Life Funds				
Managed Cautionary	105.4	111.0	+0.1	–
Managed Growth	140.8	148.3	–0.1	–
Managed Opportunity	144.9	152.6	+0.1	–
NFMC Target Financial	103.9	109.4	+1.4	–
Pension Funds				
Managed Cautionary	110.0	115.8	+0.1	–
Managed Growth	145.0	152.7	–0.1	–
Managed Opportunity	149.1	156.9	+0.2	–
NFMC Target Mngd Pen	1537.5	1618.5	–4.4	–
National Mutual Life				
The Priory, Priory Pk, Hitchin, SG5 2DW 0462 422422				
Managed Fund	226.6	238.6	–1.2	–
Managed Prospect Fund	190.1	200.2	–1.0	–
Pens Managed	286.1	301.2	+0.3	–
Pens UK Equity	345.9	364.2	+3.1	–
Pens Overseas Equity	365.6	384.9	–8.5	–
Pens Property	173.7	182.9	+0.2	–
Pens Fixed Interest	177.6	187.0	+0.9	–
Pens Index Linked	147.5	155.3	+3.8	–
Pens Deposit	188.2	198.2	+0.6	–
Harvester & P.R.P.				
UK Equity	151.1	159.1	+1.3	–
Overseas Equity	130.8	137.7	–3.0	–
Fixed Interest	121.4	127.8	+0.6	–
Property	144.5	152.2	+0.2	–
Index Linked	133.9	141.0	+3.4	–
Deposit	130.5	137.4	+0.3	–
Managed	144.1	151.7	+0.1	–
With Profits	134.1	141.2	+0.3	–
National Provident Institution				
48 Gracechurch St, London EC3P 3HH 01-623 4200				
Managed	345.6	363.8	–1.1	–
UK Equity	448.8	472.5	–0.3	–
Overseas Eq.	348.8	367.2	–1.5	–
Americas	247.3	260.4	–3.4	–
Far East	408.2	429.7	–0.6	–
Property	220.7	232.4	–2.1	–
Fixed Int.	220.0	231.6	–1.6	–
Indexed Gilt	139.3	146.7	–0.2	–
Deposit	158.7	167.1	——	–
Pension Fund (Accum Units)				
Managed	463.6	488.0	–1.4	–
UK Equity	553.9	583.1	–0.2	–
Overseas Eq.	560.6	590.2	–3.3	–
Americas	325.6	342.8	–5.0	–
Far East	676.2	711.8	–1.8	–
Property	271.1	285.4	–2.3	–
Fixed Int.	263.7	277.6	–1.5	–
Indexed Gilt	152.8	160.9	–0.3	–
Deposit	212.3	223.5	+0.1	–
NPI Pensions Management Ltd				
Managed Fund	1132.9	1153.1	——	–
Prices January 2 Next dealing February 1				
Norwich Union Asset Management Ltd				
PO Box 124, Norwich NR1 1JS 0603 683986				
NUAM Funds				
Managed Fund	65.7	69.2	+0.1	–
Stock Market Mngd Fund	64.4	67.8	+0.2	–
Equity Fund	69.1	72.7	+0.4	–
International Fund	60.9	64.1	–0.2	–
European Fund	69.6	73.3	+0.1	–
North American Fund	55.0	57.9	–0.3	–
Pacific Fund	70.3	74.0	.....	–
Property Fund	85.7	90.2	+0.3	–
Fixed Interest Fund	51.8	54.5	–0.4	–
Index Linked Sec Fund	57.7	60.7	–0.2	–
Deposit Fund	60.7	63.9	——	–
NUAM Retirement Plans				
Mixed Fund	70.8	74.5	–0.2	–
UK Ordinary Share Fd.	79.5	83.7	.....	–
International Fund	64.7	68.1	–0.3	–
Property Fund	84.4	88.8	+0.2	–
Fixed Interest Fund	59.4	62.5	–0.5	–
Index Linked Sec Fund	60.3	63.5	–0.1	–
Deposit Fund	68.8	72.5	+0.1	–
NUAM (MF)				
Managed Fund	927.8	976.7	–0.5	–
Equity Fund	1897.2	1997.1	+2.3	–
International Fund	160.4	168.9	–0.5	–
Property Fund	541.2	569.7	+1.5	–
Fixed Interest Fund	387.2	407.6	–2.8	–
Index Linked Sec Fund	58.6	61.7	–0.2	–
Deposit Fund	248.9	262.0	+0.1	–
Norwich Union Life Insurance Soc.				
Surrey Street, Norwich NR1 3NG 0603 622200				
Unitised Life				
With Profits Fd.	98.20	103.37	+0.03	–
Managed Fd	93.00	97.89	–0.29	–
UK Ord Share Fd.	94.17	99.13	+0.04	–
International Fd.	91.37	96.18	–0.82	–
European Fd	100.14	105.41	–0.31	–
North American Fd	84.16	88.59	–0.82	–
Pacific Fd	91.70	96.52	–0.57	–
Property Fd	98.37	103.55	+0.30	–
Fixed Int Fd	92.96	97.85	–0.45	–
Intl Bond Fd.	91.15	95.95	–0.84	–
Deposit Fd	98.10	103.26	+0.03	–
Unitised Pensions				
With Profits Fd.	126.60	133.27	+0.05	–
Managed Fd.	143.06	150.59	–0.28	–
UK Equity Fd.	147.13	154.88	–0.05	–
International Fd.	153.59	161.67	–0.84	–
European Fd	161.12	169.59	–0.62	–
North American Fd.	141.31	148.75	–1.37	–
Pacific Fd.	136.03	143.19	–0.69	–
Property Fd	153.48	161.56	+0.42	–
Fixed Int Fd	105.15	110.68	–0.82	–
Intl Bond Fd.	118.22	124.44	–0.85	–
Bldg Soc Dep Fd.	120.15	126.48	+0.05	–
Pensionmaker* & Unit-Linked Plus*				
Mixed Fund	388.4	408.8	–10.6	–
Ordinary Share Fund	563.3	592.9	–21.8	–
International Fund	166.6	175.4	–3.3	–
Property Fund	259.7	273.4	+0.3	–
Fixed Interest Fund	294.1	309.6	–4.1	–
Index-Linked Sec Fund	168.9	177.8	–2.4	–
Deposit Fund	214.8	226.1	+0.6	–
Norwich Units Jan 15		1008.53	——	–
*Prices as at January 23				
Pearl Assurance (Unit Funds) Ltd				
252 High Holborn, London WC1V 7EB 01-405 8441				
Prop. Dist. (Gross)	180.4	189.9	+0.3	–
Prop. Acc. (Gross)	308.4	324.7	+0.4	–
Equity (Gross)	798.0	840.0	+0.9	–
Managed (Gross)	562.3	591.9	–0.1	–
Prop. Acc. (Net)	139.6	147.0	–1.4	–
Equity (Net)	183.4	193.0	+0.2	–
Managed (Net)	170.5	179.5	——	–
Internat'nal (net)	161.5	170.0	–0.4	–
Gilt & Fxd Interest	104.2	109.7	–0.2	–
Money Fund	112.4	118.3	——	–
Pearl Assurance (Unit Linked Pens) Ltd				
Ret Man (Series 1)	555.9	585.2	–1.1	–
Ret Man (Series 2)	188.5	198.5	–0.4	–
Ret Man (Series 3)	125.3	125.3	–0.2	–
Ret Cash	147.7	155.4	——	–
Ret Cash (Series 3)	122.2	122.2	——	–
Phoenix Assurance see Sun Alliance Group				
Pioneer Mutual Insurance Co Ltd				
16 Crosby Rd, N. Waterloo, Liverpool 051-928 6655				
Managed Fund	318.4	335.2	+3.5	–
Man Pens Inc & Cap Fds	423.2	445.5	+5.6	–
Money Fund	126.1	132.8	+0.3	–
Pens Mngd Fd (Init)	113.3	119.3	+1.5	–
Pens Mngd Fd (Acc)	142.5	150.0	+1.9	–
Pens FT30 Fd (Init)	147.3	155.1	+0.9	–
Pens FT30 Fd (Acc)	185.3	195.1	+1.4	–
Pens O'seas MgFd(Init)	79.9	84.2	+0.4	–
Pens O'seas MgFd(Acc)	100.6	105.9	+0.6	–
Pens Fxd Int Fd (Init)	102.9	108.4	+0.7	–
Pens Fxd Int Fd (Acc)	129.5	136.4	+1.0	–
Pens Deposit Fd (Init)	109.5	115.3	+0.1	–
Pens Deposit Fd (Acc)	137.8	145.1	+0.3	–
Premium Life Assurance Co Ltd				
37-39, Perrymount Road, Haywards Heath 0444 458721				
American	100.0	106.0	+3.0	–
Building Soc. Fd.	180.0	190.0	——	–
Balanced	285.0	300.0	——	–
European	194.0	205.0	–1.0	–
GT Managed	184.0	194.0	–1.0	–
Gartmore Mngd.	127.0	134.0	——	–
German	176.0	186.0	——	–
Gilt	170.0	179.0	–1.0	–
Global	47.0	50.0	–1.0	–
High Inc.	107.0	113.0	——	–
International Equity	197.0	208.0	–1.0	–
Japan	266.0	280.0	–1.0	–
Managed	57.0	60.0	——	–
Property	311.0	328.0	——	–
R. W. Imperial Gold	150.0	158.0	——	–
UK Equity	318.0	335.0	——	–
Pension Funds				
American	148.0	156.0	——	–
Building Soc. Fd.	185.0	195.0	——	–
Balanced	225.0	237.0	——	–
European	200.0	211.0	——	–
German	152.0	160.0	——	–
Gilt	155.0	164.0	——	–
International Equity	144.0	152.0	——	–
Japan	143.0	151.0	——	–
Managed	64.0	68.0	——	–
Property	240.0	253.0	——	–
UK Equity	308.0	325.0	–1.0	–
Professional Life Assurance Co Ltd				
Frobisher Hse, Nelson Gate, Southampton 0703 232323				
Pensions Managed Fund	92.9	98.2	——	–
Pensions Cash Fund	84.15	88.57	——	–
Prolific Life & Pensions Ltd				
Stramongate, Kendall, Cumbria LA9 4BE 0539 733733				
Managed Fund see Balanced Growth Managed Fund				
Life Funds				
Balanced Gwth Mngd.	609.2	648.1	+1.5	–
Adventurous Mngd.	131.8	140.3	+0.1	–
Secure Mngd.	110.0	117.1	+0.8	–
Cash Fd	246.1	259.4	——	–
Property Fund	301.0	317.2	——	–
Equity Fund	690.9	735.0	+2.1	–
Fxd. Int. Fund	293.9	309.7	——	–
International	330.6	351.8	+6.3	–
High Income	461.3	490.8	+4.8	–
Far East	452.7	481.6	+6.1	–
North American	262.3	279.1	+1.0	–
Special Sits	638.5	679.3	+4.9	–
Technology	251.6	267.7	+1.2	–
Extra Inc Fd	277.7	295.5	+1.7	–
Convertible & Gilt Fd	154.0	163.9	+3.6	–
American Income	129.7	138.0	+1.5	–
Gilt Fund 20	296.8	315.8	–0.2	–
European Fund	117.8	125.4	+2.3	–
Pref & Fixed Int.	97.6	103.9	+1.7	–
Equity Income Dist.	100.2	105.6	+0.4	–
Managed Dist.	97.9	103.2	+0.7	–
Pension Funds				
Balncd Gth Mgd Pens Acc.	587.3	618.3	+1.1	–
Adventurous Mgd Pens Acc.	127.5	134.3	+0.1	–
Secure Mngd Pens Acc.	110.7	116.6	+0.9	–
Building Soc. Acc	262.4	276.3	——	–
Property Pens. Acc.	307.9	324.2	——	–
Fix. Int. Pens. Acc.	412.8	434.6	–0.7	–
Equity Pens. Acc	769.6	810.2	+1.9	–
International Pens Acc.	304.1	320.2	+2.8	–
High Inc Pens Acc.	497.9	524.2	–0.4	–
Tech Pens Acc.	159.3	167.7	+0.9	–
N American Pens Acc.	175.6	184.9	–2.6	–
Far Eastern Pens Acc.	443.3	466.7	+1.3	–
Special Sits Pens Acc.	519.3	546.7	–1.8	–
Extra Income Pens Fd.	333.6	351.2	+0.3	–
Convertible & Gilt Pen	169.6	178.6	+3.1	–
American Inc Pens	139.6	147.0	+0.3	–
European Pens.	125.9	132.6	+1.4	–
Managed Cash Pens.	120.7	127.1	——	–
Pref & Fixed Pens.	102.4	107.8	+1.8	–
Other Funds				
Margetts Growth	91.3	96.2	——	–
Margetts Income	94.7	99.7	+1.1	–
Margetts Pension	93.5	98.5	——	–
DWC Growth & Income	120.8	127.2	+1.7	–
NCH Managed	102.5	107.9	+0.8	–
NCH Inc & Growth	93.1	98.0	+1.0	–
B&B Select Mngd.	93.5	98.5	+0.7	–
For Capital Unit and Other Prices ring 0539-733733				
Property Equity & Life Ass. Co				
Baxter Ave, Southend SS2 6QN 0702 333433				
Int Man Pension Fd.	144.3	151.9	——	–
Int Man Crncy Bd Fd		138.5	——	–
Int Man Crncy Bd Fd(d)		126.7	——	–
Flexible Prop Bd Fd.		187.9	——	–
Flexible Money Bd. Fd.		330.2	——	–
Special Man. Inc. Fd.		125.3	——	–
Property Growth Assce see Sun Alliance Group				
Providence Capital Life Assc. Co Ltd				
30 Uxbridge Rd, London W12 8PG 01-749 9111				
UK Equity Acc.	207.9	219.4	–0.4	–
UK Fixed Int Acc	146.3	154.4	–0.1	–
Intl Equities Acc.	183.4	193.5	——	–
UK Managed Acc.	168.9	178.1	–0.2	–
Property Acc.	242.8	256.2	+0.3	–
Money Acc.	112.7	118.9	——	–
Special Market Acc.	176.6	186.3	+1.4	–
Japan Equity Acc.	149.8	158.1	–0.6	–
North American Acc.	100.0	105.5	–0.7	–
Pacific Acc.	103.2	108.9	–0.2	–
Technology Acc.	136.3	143.8	+1.7	–
Nat Resources Acc.	72.1	76.1	+0.1	–
European Acc.	113.3	119.6	+0.6	–
Residential Prop Acc.	106.8	112.7	——	–
Swiss Equities Acc.	36.5	38.6	–0.2	–
Hong Kong Acc.	45.8	48.4	–0.5	–
UK High Inc Eq Acc.	71.7	75.7	+0.2	–
Int Fixed Interest Acc.	51.0	53.8	–0.1	–
Int Managed Acc.	57.1	60.2	——	–
HIP Managed Acc.	116.5	122.8	+0.1	–
Total Investment Bond				
UK Equity Initial		143.6	–0.3	–
UK Fixed Int Initial		101.2	+0.1	–
Intl Equities Initial		129.9	+0.1	–
UK Managed Initial		116.9	–0.1	–

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OFFSHORE AND OVERSEAS

MANAGEMENT SERVICES

GUERNSEY (SIB RECOGNISED)

JERSEY (SIB RECOGNISED)

IOM (SIB RECOGNISED)

LUXEMBOURG (SIB RECOGNISED)

[illegible]

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Foreign & Colonial Management Ltd
1 Laurence Pountney Hill, London EC4R 0BA 01-623 4680

Foreign & Colonial Portfolios Fund

	Init Chrge	Canc Price	Bid Price	+ or -	Yield Gr's
Am Smir Cos Eqt(1-2)		$-	10.18	-0.18	—
Oriental Eqty(1-8)		$-	12.24	+0.05	—
European Eqty(1-3)		$-	14.39	+0.14	—
Nordic Equity		$-	14.30	+0.12	—
Amer Majors Equity		$-	8.94	-0.20	—
West Pacific Equity		$-	10.74	+0.02	—
Medit'r'n Equity		$-	9.54	+0.07	—
British Equity		$-	10.01	+0.04	—
US Dlr S-Term Asst		$-	9.49	—	8.75
Stlg Short-Term Asst		£-	10.24	—	12.50
Nth American Bond		$-	9.98	-0.01	8.6
Multi-Currency Bond		$-	10.49	+0.02	8.60
Sterling Bond		£-	9.73	-0.01	10.00
ECU Bond		Ecu-	10.00	—	—

* Daily dealing

Gartmore Luxembourg SA
23 Rue des Bruyeres L-1274 Howald Lux 010 352 491841

Gartmore Pantheon Fund

		Price	+ or -	Yield
Nth Amer Equity	$-	1.95	—	—
British Equity	£-	1.01	—	—
Nordic Equity	SK-	10.46	—	—
Cont'l Europe Equity	DM-	16.74	+0.07	—
Japan Equity	Y-	529.00	+3.00	—
Pacific Equity	Y-	364.00	+4.00	—
Developing Mkts	£-	1.01	—	—
Natural Resources	$-	2.07	+0.01	—
W'wide Recovery	$-	1.57	-0.02	—
Intl Equity	$-	1.94	+0.01	—
Dollar Bond	$-	1.96	—	—
Sterling Bond	£-	1.00	—	—
European Currency Bond	Ecu-	1.48	—	7.33
Intl Curr Bond	$-	2.07	—	—
Dollar Reserve	$-	2.02	+0.02	—
Sterling Reserve	£-	1.04	—	—
Deutschmark Reserve	DM-	5.04	+0.04	—
Yen Reserve	Y-	504.00	—	—

Henderson Management SA
21-25 Allee Scheffer L-2520 Luxembourg
01-638 5757 or 010-352 462232

Henderson Horizon Fund

		Bid	Offer	+ or -	Yield
Japanese Portfolio	$-	15.37	16.23	-0.02	—
Japan Smlr Cos P'flio	$-	22.37	23.63	+0.08	—
Pacific Portfolio	$-	12.4	13.11	+0.07	—
Nth American P'tfolio	$-	4.42	4.69	-1.04	—
European Portfolio	$-	8.48	8.97	-0.02	—
UK Portfolio	$-	6.15	6.52	-0.03	—
Global Portfolio	$-	9.8	10.35	-0.03	—
Fixed Int. Portfolio	£-	9.17	9.63	-0.05	—
Dollar Liquidity P'folio	$-	0.8495	0.8517	—	—
Stlg Liquidity P'folio	£-	1.1615	1.1645	—	—

Ivory & Sime (Luxembourg) SA
18 Blvd Royal, L-2449 Luxembourg 010 352 4709031

Atlas Fund

		Bid	Offer	+ or -	Yield
Global Cap Portfolio	$-	2.456	2.606	-0.01	0.4
United States Portfolio	$-	2.352	2.495	—	0.2
United Kingdom Portfolio	£-	1.201	1.274	—	1.4

NM Financial Mngmt Intl Ltd

	Bid Price	Offer Price	+ or -	Yield Gross
Mngd. Currency	£6.599	6.891	-0.028	6.09

NM Portfolio Selection Fund Ltd

	Bid Price	Offer Price	+ or -	Yield Gross
Conscience	£1.076	1.144	—	1.32
Far East Gwth	£1.383	1.469	-0.057	0.00
Smaller Co's	£0.993	1.056	-0.004	1.19
Special Sits	£1.008	1.072	-0.002	0.74
Intl Bond	$0.902	0.959	-0.002	5.49
American Fund	$1.860	1.978	-0.004	2.34
American Smaller Cos	$1.137	1.209	-0.020	0.00
Australian Fund	£1.677	1.784	+0.006	1.79
British Fund	£1.554	1.653	—	3.26
European Fund	£2.179	2.318	—	0.88
Gold Fund	£0.815	0.867	+0.010	0.00
Hong Kong Fund	£1.509	1.605	-0.010	5.59
International Fund	£1.448	1.540	-0.003	0.35
Japanese Fund	£3.148	3.348	-0.004	0.00
Japan Smaller Cos	£5.258	5.593	-0.027	0.00
Singapore & Malaysian	£1.475	1.569	+0.034	0.00
Dollar Fixed Interest	$0.990	1.053	-0.001	6.92
Sterling Fixed Int.	£0.907	0.964	+0.003	11.44
Deutschmark Currency		DM5.057	-0.001	2.36
Dollar Currency		$1.003	—	4.91
Sterling Currency		£1.027	—	10.48
Yen Currency		Y200.7	-0.100	1.40
Managed Currency	£0.997	1.060	-0.004	6.94

Nikko Capital Mngt (Europe) Ltd

	Bid Price	Offer Price	+ or -	Yield Gross
Japan Index Fund	Y4,126	4,167	—	—
New Generation Fd. $	$25.48	23.71	—	—
Japan Index Alpha	Y12,577	12,768	—	—
Jap Sector Rotation	Y10,404	10,558	—	—

Strongbold Asset Mngmt (Guernsey) Ltd

	Bid Price	Offer Price	+ or -	Yield Gross
Tech and Comm	£11.35	12.04	-0.53	—
Pacific Basin Fd	$115.88	122.99	—	—
Western European	$19.32	20.58	-0.40	—

Tyndall International (Guernsey) Ltd

	Bid Price	Offer Price	+ or -	Yield Gross
Capital Defender	$1.25	1.30	—	—
Hi Yield Bond	62.9	66.1	-0.2	15.15
Intnat. Spec. Sits	52.7	55.5	+0.2	—
Mansmould Fd	89.9	94.4	-0.7	—

U.S. Treasury Securities Fund Ltd

	Bid Price	Offer Price	+ or -	Yield Gross
Short Term Shares	$691.14		—	—
Fixed Income Shares	$800.7		—	—

Wellington Fd Mngrs (Guernsey) Ltd

	Bid Price	Offer Price	+ or -	Yield Gross
Intl Growth Fd	$13.53	14.20	-0.01	—

Yamaichi Capital Mngmt (Guernsey) Ltd

	Bid Price	Offer Price	+ or -	Yield Gross
Japan Meta Growth	$13.65		-0.11	—
Yamaichi ISS Fund	$10.59		-0.07	—
Yamaichi CB Plus Fund	$10.12		-0.04	—
Thai Inv Fund	$12.21		—	—

JERSEY (**)

Allied Irish Fund Managers (CI) Ltd

	Bid Price	Offer Price	+ or -	Yield Gross
Sterling Currency Fd	£14.1582		+0.0049	—

SWITZERLAND (SIB RECOGNISED)

CANADA (SIB RECOGNISED)

GUERNSEY (**)

DUBLIN (**)

OFFSHORE INSURANCES

ISLE OF MAN (**)

LUXEMBOURG (**)

OTHER OFFSHORE FUNDS

Money Market Trust Funds

Money Market Bank Accounts

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Politics dominate the dollar

POLITICAL FACTORS dominated a confusing day on the foreign exchanges. The dollar finished in Europe well below the highs seen on Tuesday, after Mr Mikhail Gorbachev, the Soviet President, denied a report that he intends to resign as Communist Party general secretary.

A peak of DM1.71 was touched in New York on the resignation report, but Japanese dealers took a sceptical view of the Gorbachev rumour, and the dollar fell back to close in Tokyo at DM1.6880. The Bank of Japan probably contributed to the dollar's retreat by selling small amounts of the US currency for yen. This was after the dollar rose through technical resistance at Y144.50, to a peak of Y145.00. At the Tokyo close the dollar had declined to Y144.40 in choppy trading. In Europe the US currency was firmer overall, but showed no sign of returning to overnight levels in New York.

Speculation that the Federal Reserve will ease its monetary stance is tending to weigh on the dollar, but the market yesterday was in no mood to take an economic view ahead of tomorrow's news on US employment trends. A rise of 0.8 per cent in December US leading indicators was stronger than the November gain of 0.1 per cent. It was also above market estimates of around 0.5 per cent, but had no impact.

At the close in London the dollar had climbed to DM1.6870 from DM1.6805; to Y144.55 from Y144.00; to SFr1.5035 from SFr1.4895; and to FFr5.7300 from FFr5.7100. According to the Bank of England the dollar's index rose to 67.0 from 66.8.

Sterling maintained its upward trend, supported by high London interest rates. Political uncertainty in Eastern Europe and the Soviet Union also underpinned the pound against the D-Mark.

Sterling advanced steadily to DM2.8350 from DM2.8275; to SFr2.5250 from SFr2.5075; to FFr9.6275 from FFr9.6100; and to Y242.75 from Y242.25, but lost 30 points to $1.6800 against the firmer dollar. On Bank of England figures the pound's index rose 0.1 to 89.0.

A weakening of the D-Mark against the dollar helped keep trading calm among the members of the European Monetary System. At the finish of trading in London the D-Mark had fallen to L743.50 from L743.90 against the Italian lira and to FFr3.3965 from FFr3.3975 in terms of the French franc.

Earlier in the day the franc was fixed higher against the D-Mark in Paris and the lira advanced against the West German currency in Milan. There was no central bank intervention at the fixings. The lira was the strongest EMS currency, but all members of the system remained within their divergence limits.

A warning by Mr Paul Keating, Australian Treasurer, that the Government does not intend a further easing of monetary policy supported the Australian dollar. It rose to 77.00 US cents in Sydney, from 76.55 cents on Tuesday, and finished in London at 76.90 cents.

£ IN NEW YORK

Jan.31	Latest	Previous Close
£ Spot	1.6810-1.6820	1.6705-1.6715
1 month	0.85-0.84pm	0.85-0.84pm
3 months	2.61-2.58pm	2.60-2.58pm
12 months	9.10-9.00pm	9.07-8.97pm

Forward premiums and discounts apply to the US dollar

STERLING INDEX

[illegible]

CURRENCY RATES

[illegible]

CURRENCY MOVEMENTS

[illegible]

Morgan Guaranty changes: average 1980-1982=100. Bank of England Index (Base Average 1985=100) Rates are for Jan.30.

OTHER CURRENCIES

Jan.31	£	$
Kuwait	0.4880-0.4890	0.2695-0.2705
Luxembourg	59.25-59.35	35.25-35.35
Malaysia	4.5285-4.5410	2.6970-2.6990
Mexico	4530.25-4547.95	2695.00-2705.00
N. Zealand	2.7895-2.7940	1.6580-1.6610
Saudi Ar.	6.3015-6.3065	3.7500-3.7510
Singapore	3.1305-3.1380	1.8620-1.8640
S. Af (Cm)	4.2980-4.3090	2.5590-2.5605
S. Af (Fn)	5.6270-5.7230	3.3445-3.4015
Taiwan	44.00-44.10	26.15-26.20
U.A.E.	6.1700-6.1750	3.6720-3.6730

*Selling rate

EURO-CURRENCY INTEREST RATES

Jan 31	Short term	7 Days notice	One Month	Three Months	Six Months	One Year
Sterling	14⅞-14¾	14 13/16-14¾	15 1/16-15	15 3/16-15 1/16	15 1/16-15	15-14⅞
US Dollar	8⅜-8¼	8¼-8⅛	8⅜-8¼	8⅜-8¼	8⅜-8¼	8½-8⅜
Can. Dollar	12⅜-12⅛	13-12¾	12¾-12½	12⅞-12⅝	12⅝-11 13/16	11⅞-11⅝
D. Guilder	8⅝-8½	8¼-8⅛	8¾-8½	8⅞-8¾	8⅞-8¾	9-8⅞
Sw. Franc	9¼-9	9½-9¼	9¾-9½	9⅞-9⅝	9¾-9½	9⅝-9⅜
Deutschmark	7⅞-7⅝	7⅞-7¾	8-7¾	8¼-8⅛	8⅜-8¼	8⅝-8½
Fr. Franc	10⅝-10½	10⅝-10½	10⅝-10½	11-10¾	11⅛-11	11¼-11⅛
Italian Lira	13-11	13½-12½	13-12½	13-12½	13-12⅞	13¼-13⅛
B. Fr. (Fin)	10⅞-10⅝	10⅞-10⅝	10¼-10⅛	10⅜-10¼	10¼-10⅛	10¼-10⅛
B. Fr. (Con)	10¼-10⅛	10¼-10⅛	10⅜-10⅛	10⅜-10⅛	10⅞-10½	10⅝-10⅜
Yen	6¾-6½	6¾-6⅝	6¾-6⅝	7⅛-6⅞	7⅜-7¼	7⅜-7¼
D. Krone	12½-12	12½-12	12½-12	12½-12	12-11⅞	11⅞-11⅝
Asian $Sing	8¼-8⅛	8½-8⅜	8½-8⅜	8⅝-8½	8⅞-8⅝	8⅞-8¾

Long term Eurodollars: two years 8 13/16-8 11/16 per cent; three years 9¼-9 per cent; four years 9 3/16-9 1/16 per cent; five years 9¼-9⅛ per cent nominal. Short term rates are call for US Dollars and Japanese Yen; others, two days' notice.

POUND SPOT- FORWARD AGAINST THE POUND

Jan.31	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.6750-1.6845	1.6795-1.6805	0.86-0.84cpm	6.07	2.63-2.60pm	6.23
Canada	1.9910-2.0190	1.9910-1.9920	0.37-0.29cpm	1.99	1.22-1.09pm	2.32
[illegible]						

Commercial rates taken towards the end of London trading. Belgian rate is convertible francs. Financial franc 59.25-59.35.

DOLLAR SPOT- FORWARD AGAINST THE DOLLAR

Jan 31	Day's spread	Close	One month	% p.a.	Three months	% p.a.
[illegible]						
W. Germany	1.6770-1.6935	1.6865-1.6875	0.06-0.04pfpm	0.36	0.07-0.04pm	0.13
Portugal	147.95-148.25	147.95-148.05	80-95cdis	-7.09	300-340dis	-8.65
Spain	108.40-109.70	108.70-108.80	47-57cdis	-4.22	168-178dis	-4.68
Italy	1247¼-1258	1253-1253½	4.00-5.00liredis	-4.32	12.20-14.20dis	-4.22
Norway	6.48½-6.52½	6.50-6.50½	1.50-1.75oredis	-3.00	5.10-5.50dis	-3.26
France	5.70-5.75	5.72¾-5.73¼	1.04-1.10cdis	-2.25	3.53-3.66dis	-2.52
Sweden	6.12½-6.14¼	6.13¾-6.14¼	N/A	N/A	N/A	N/A
Japan	144.00-144.60	144.50-144.60	0.20-0.18ypm	1.58	0.47-0.44pm	1.26
Austria	11.81-11.91¼	11.86¾-11.87¼	0.70gro-0.25gdis	-0.48	0.35pm-0.85dis	-0.20
Switzerland	1.4850-1.5040	1.5030-1.5040	0.13-0.16cdis	-1.16	0.45-0.50dis	-1.27
ECU	1.2050-1.2145	1.2080-1.2090	0.26-0.24cpm	2.48	0.84-0.80pm	2.71

Commercial rates taken towards the end of London trading.† UK, Ireland and ECU are quoted in US currency. Forward premiums and discounts apply to the US dollar and not to the individual currency. Belgian rate is for convertible francs. Financial franc 35.25-35.35.

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu central rates	Currency amounts against Ecu Jan.31	% change from central rate	% change adjusted for divergence	Divergence limit %
Belgian Franc	42.1679	42.6646	+1.18	+1.18	±1.5508
Danish Krone	7.79845	7.88685	+1.13	+1.13	±1.6453
German D-Mark	2.04446	2.04005	-0.22	-0.22	±1.1762
French Franc	6.85684	6.92865	+1.05	+1.05	±1.3618
Dutch Guilder	2.30358	2.29957	-0.17	-0.17	±1.5272
Irish Punt	0.763159	0.768984	+0.76	+0.76	±1.6689
Italian Lira	1529.70	1515.43	-0.93	-0.93	±1.5162
Spanish Peseta	132.889	131.761	-0.85	-0.85	±4.2705

Changes are for Ecu, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

EXCHANGE CROSS RATES

Jan.31	£	$	DM	Yen	F Fr.	S Fr.	H Fl.	Lira	C $	B Fr.
£	1	1.680	2.835	242.8	9.628	2.525	3.195	2106	1.992	59.30
$	0.595	1	1.688	144.5	5.731	1.503	1.902	1254	1.186	35.30
DM	0.353	0.593	1	85.64	3.396	0.891	1.127	742.9	0.703	20.92
YEN	4.119	6.919	11.68	1000.	39.65	10.40	13.16	8674	8.204	244.2
F Fr.	1.039	1.745	2.945	252.2	10.	2.623	3.318	2187	2.069	61.59
S Fr.	0.396	0.665	1.123	96.16	3.813	1	1.265	834.1	0.789	23.49
H Fl.	0.313	0.526	0.887	75.99	3.013	0.790	1	659.2	0.623	18.56
Lira	0.475	0.798	1.346	115.3	4.572	1.199	1.517	1000.	0.946	28.16
C $	0.502	0.843	1.423	121.9	4.833	1.268	1.604	1057	1	29.77
B Fr.	1.686	2.833	4.781	409.4	16.24	4.258	5.388	3551	3.359	100.

Yen per 1,000: French Fr. per 10: Lira per 1,000: Belgian Fr. per 100.

FINANCIAL FUTURES AND OPTIONS

LIFFE LONG GILT FUTURES OPTIONS — [illegible]

LIFFE US TREASURY BOND FUTURES OPTIONS — [illegible]

LIFFE BUND FUTURES OPTIONS — [illegible]

LIFFE £/$ OPTIONS — [illegible]

LIFFE EURODOLLAR OPTIONS — [illegible]

LIFFE SHORT STERLING OPTIONS — [illegible]

CHICAGO

U.S. TREASURY BONDS (CBT) — [illegible]

JAPANESE YEN (IMM) — [illegible]

DEUTSCHE MARK (IMM) — [illegible]

U.S. TREASURY BILLS (IMM) — [illegible]

THREE-MONTH EURODOLLAR (IMM) — [illegible]

SWISS FRANC (IMM) — [illegible]

STANDARD & POORS 500 INDEX — [illegible]

PHILADELPHIA SE £/$ OPTIONS — [illegible]

POUND—$ (FOREIGN EXCHANGE) — [illegible]

LONDON (LIFFE)

20-YEAR 9% NATIONAL GILT — [illegible]

US TREASURY BONDS 8% — [illegible]

6% NOTIONAL GERMAN GOVT. BUND — [illegible]

6% NOTIONAL LONG TERM JAPANESE GOVT. BOND — [illegible]

THREE-MONTH STERLING — [illegible]

THREE-MONTH EURODOLLAR — [illegible]

THREE-MONTH EUROMARK — [illegible]

THREE-MONTH ECU — [illegible]

10 YEAR 10% NATIONAL FRENCH BOND (MATIF) FUTURES — [illegible]

OPTION ON LONG-TERM FRENCH BOND (MATIF) — [illegible]

THREE-MONTH PIBOR FUTURES (MATIF) (Paris interbank offered rate)

	Open	Close	Change	High	Low	Yield	Open int.
June	89.02	88.98	-0.04	89.02	88.98	11.01	[illegible]
September	89.25	89.18	-0.07	89.25	89.18	10.81	1,045
December	89.50	89.40	-0.15	89.50	89.40	10.60	154

Estimated volume 7,519 Total Open Interest 15,957

CAC-40 FUTURES (MATIF)
Stock Index

	Open	Close	Change	High	Low	Open Int.
January	1892.0	1892.0	+2.0	1896.0	1883.5	2,378
February	1884.0	1887.0	+2.0	1893.0	1876.5	4,426
March	1886.0	1889.0	+1.0	1889.0	1880.0	678
June	-	-	-	-	-	17

Estimated volume 6,208 Total Open Interest 7,499

FT-SE 100 INDEX
£25 per full index point

	Close	High	Low	Prev.
Mar	2356.0	2358.0	2337.0	2343.0
Jun	2399.0	2400.0	2384.0	2387.0
Sep	2443.0	2437.0	2437.0	2431.5

Estimated volume 4823 (5001)
Previous day's open int. 23201 (22755)

MONTHLY AVERAGES OF STOCK INDICES

	January	December	November	October
Financial Times				
Government Securities	82.43	83.74	83.92	84.50
Fixed Interest	91.98	92.35	93.21	94.21
Ordinary	1894.2	1863.3	1758.0	1786.7
Gold Mines	337.4	306.9	286.4	203.5
SEAQ Bargains (5 p.m.)	31,097	30,046	23,641	26,284
F.T.-Actuaries				
Industrial Group	1192.88	1180.46	1125.05	1138.00
500 Share	1291.51	1280.70	1212.80	1223.70
Financial Group	845.29	837.64	775.35	757.14
All-Share	1184.51	1175.26	1108.38	1110.88
FT-SE 100	2367.8	2358.5	2205.5	2201.8

	January High	January Low
Ordinary	1968.3 (3rd)	1826.6 (24th)
All-Share	1226.83 (3rd)	1143.55 (24th)
FT-SE 100	2463.7 (3rd)	2278.6 (24th)

BASE LENDING RATES

	%		%		%
ABN Bank	15	Co-operative Bank	*15	NatWestminster	15
Adam & Company	15	Coutts & Co	15	Northern Bank Ltd	15
Allied Trust Bank	15	Cyprus Popular Bk	15	Norwich Gen. Trust	15
Allied Irish Bank	15	Dunbar Bank PLC	15	Nykredit Mortgage Bank	15½
● Henry Ansbacher	15	Duncan Lawrie	15	PRIVATbanken Limited	15
Associates Cap Corp	14	Equatorial Bank plc	15	Provincial Bank PLC	16
Authority Bank	15	Exeter Trust Ltd	15½	Roxburghe G'rantee	15½
● B & C Merchant Bank	15	Financial & Gen. Bank	15	Royal Bk of Scotland	15
Bank of Baroda	15	First National Bank Plc	16	Royal Trust Bank	15
Banco Bilbao Vizcaya	15	● Robert Fleming & Co.	15	● Smith & Williamson Secs.	15
Bank Hapoalim	15	Robert Fraser & Ptnrs.	15½	Standard Chartered	15
Bank Credit & Comm	15	Girobank	15	TSB	15
Bank of Cyprus	15	● Guinness Mahon	15	● United Bk of Kuwait	15
Bank of Ireland	15	HFC Bank plc	15	United Mizrahi Bank	15
Bank of India	15	● Hambros Bank	15	Unity Trust Bank Plc	15
Bank of Scotland	15	Hampshire Trust Plc	15½	Western Trust	15
Banque Belge Ltd	15	Heritable & Gen Inv Bnk	15	Westpac Bank Corp.	15
Barclays Bank	15	● Hill Samuel	§15	Whiteaway Laidlaw	15
Benchmark Bank PLC	15	C. Hoare & Co.	15	Yorkshire Bank	15
Brit Bk of Mid East	15	Hongkong & Shangh	15		
● Brown Shipley	15	● Leopold Joseph & Sons	15		
CL Bank Nederland	15	Lloyds Bank	15		
● Charterhouse Bank	15	Meghraj Bank Ltd	15		
Citibank NA	15	McDonnell Douglas Bnk	15		
City Merchants Bank	15	Midland Bank	15		
Clydesdale Bank	15	Mount Banking	15		
Comm. Bk. N.East	15	Nat Bk. of Kuwait	15		

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JOTTER PAD

MONEY MARKETS

Longer rates ease

LONGER TERM interest rates declined again on the London money market yesterday with 12-month sterling interbank *falling below 15 per cent.* This followed a further improvement by sterling on the foreign exchanges. Three-month interbank was unchanged at 15$\frac{1}{32}$-15$\frac{1}{16}$ per cent, while 12-month fell to 14$\frac{11}{16}$-14$\frac{21}{32}$ per cent from 15$\frac{1}{16}$-14$\frac{15}{16}$.

Trading in short sterling futures on Liffe was subdued, with market volume evenly split between March and June delivery. The March contract opened firmer at 85.08 and closed at 85.06 compared with 85.04 on Tuesday.

UK clearing bank base lending rate 15 per cent from October 5

The Bank of England initially forecast a day-to-day credit shortage of £300m, but revised this to £400m at noon, and back to £300m in the afternoon. Help of £200m was provided, all before lunch, when the authorities bought bank bills in band 2 at 14¾ per cent. Bills maturing in official hands, repayment of late assistance and a take-up of Treasury bills drained £548m, with a rise in the note circulation absorbing £100m. These outweighed Exchequer transactions adding £310m to liquidity, and bank balances above target of £50m.

In Frankfurt call money fell sharply. Rates were quoted as low as 1 per cent in places, compared with 7.10 per cent on Tuesday. This followed the withdrawal of the Bundesbank's standing offer to sell three-day Treasury bills at 7 per cent, thus removing the effective floor for call money.

The central bank does not make the Treasury bill facility available on the last working day of the month, and therefore the fall in call money can be regarded as purely technical. The rate is likely to return to more normal levels today.

The market was awash with liquidity yesterday as banks held high reserves with the Bundesbank. The minimum requirement for the month has been set at a provisional DM60.3bn but for the first 29 day's of the month averaged DM61bn.

At this week's securities repurchase agreement tender, the Bundesbank drained a net DM5bn. The central bank accepted bids totalling DM24.7bn via DM15.2bn for 28-day funds at rates of 7.70 to 8.20 per cent and DM9.5bn for 62-day money at 7.80 to 8.10 per cent. Banks will receive the funds today when DM29.7 drains from the market as two earlier pacts expire.

FT LONDON INTERBANK FIXING

(11.00 a.m. Jan.31) 3 months US dollars		6 months US Dollars	
bid 8¼	offer 8⅜	bid 8 5/16	offer 8 7/16

The fixing rates are the arithmetic means rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted to the market by five reference banks at 11.00 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque Nationale de Paris and Morgan Guaranty Trust.

MONEY RATES

NEW YORK (Lunchtime)

Prime rate	10
Broker loan rate	9¾
Fed.funds	8 5/16
Fed.funds at intervention	-

Treasury Bills and Bonds

One month	7.32	Three year	8.40
Two month	7.85	Four year	8.41
Three month	8.03	Five year	8.42
Six month	8.15	Seven year	8.44
One year	8.10	10-year	8.51
Two year	8.32	30-year	8.53

Jan.	Overnight	One Month	Two Months	Three Months	Six Months	Lombard Intervention
Frankfurt	-	7.45-7.55	7.75-7.85	7.95-8.10	8.30-8.45	8.00
Paris	-	-	-	-	-	9.50
Zurich	8¾-9¼	9¼-9¾	-	9½-9¾	-	-
Amsterdam	8.50-8.63	8.60-8.66	-	8.75-8.85	-	-
Tokyo	6½-6⅝	6 13/16-6 15/16	-	6 15/16-7	-	-
Milan	12½-12¾	13½-14	-	13¼-13½	-	-
Brussels	9.65	10⅞-10½	-	10½-10 11/16	-	-
Dublin	11 11/16-11 13/16	11 15/16-12 1/16	11 15/16-12 1/16	12-12¼	11 15/16-12 1/16	-

LONDON MONEY RATES

Jan 31	Overnight	7 days notice	One Month	Three Months	Six Months	One Year
Interbank Offer	15¼	14 15/16	15 1/16	15⅛	15⅛	14 13/16
Interbank Bid	14½	14 13/16	15	15 1/16	15 1/16	14 11/16
Sterling CDs	-	-	15	15 1/16	15	14 13/16
Local Authority Deps.	14⅝	14¾	15	15	14 15/16	14¾
Local Authority Bonds	-	-	-	-	-	-
Discount Mkt Deps.	14⅞	14 15/16	14⅞	14⅞	-	-
Company Deposits	-	-	15⅛	15⅛	15	14 13/16
Finance House Deposits	-	-	15	15⅛	15 1/16	14¾
Treasury Bills (Buy)	-	-	14 13/16	14½	-	-
Bank Bills (Buy)	-	-	14¾	14 13/16	14 5/16	-
Fine Trade Bills (Buy)	-	-	15⅛	15⅛	14 13/16	-
Dollar CDs	-	-	8.27	[illegible]	[illegible]	8.50
SDR Linked Dep. Offer	-	-	8 13/16	[illegible]	[illegible]	[illegible]
SDR Linked Dep. Bid	-	-	8 11/16	[illegible]	[illegible]	[illegible]
ECU Linked Dep. Offer	-	-	10⅞	[illegible]	[illegible]	[illegible]
ECU Linked Dep. Bid	-	-	10¾	[illegible]	[illegible]	[illegible]

Treasury Bills (sell); one-month 14 11/16 per cent; three months [illegible] per cent; Bank Bills (sell); one-month 14 13/16 per cent; three months 14½ per cent; Treasury Bills: Average tender rate of discount 14.4529 p.c. ECGD Fixed Rate Sterling Export Finance. Agreed rates for period February 26 1990 to March 25, 1990, Schemes II & III: 16.43 p.c. Reference rate for period Dec.30,1989 to Jan.31,1990, Scheme IV&V: 15.199 p.c. Local Authority and Finance Houses seven days' notice, others seven days' fixed. Finance Houses Base Rate 15½ from January 1, 1990: Bank Deposit Rates for sums at seven days notice 4 per cent. Certificates of Tax Deposit (Series 6); Deposit £100,000 and over held under one month 11½ per cent; one-three months 13 per cent; three-six months 13 per cent; six-nine months 13 per cent; nine-twelve months 13 per cent; Under £100,000 11½ per cent from Oct 9,1989. Deposits withdrawn for cash 5 per cent.

LEGAL NOTICES

IN THE GRAND COURT OF THE CAYMAN ISLANDS HOLDEN AT GEORGE TOWN, GRAND CAYMAN

IN THE MATTER OF UNIVERSAL CASUALTY & SURETY COMPANY LTD (IN LIQUIDATION)

AND

IN THE MATTER OF THE COMPANIES LAW

CAUSE NO: 339 OF 1984

NOTICE TO CREDITORS

TAKE NOTICE that any creditor who has not already lodged a Proof of Debt in this liquidation must lodge sworn *Proof of Debt Forms* with the *Official Liquidator* no later than 31st March, 1990, failing which their claims will be excluded from the liquidation.

DATED this 26th day of January 1990.

ALLAN GEE
Official Liquidator
Ernst & Young
P.O. Box 1519
George Town
Grand Cayman
Cayman Islands B.W.I.
Telephone: 809-949-8444
Telefax: 809-949-8529
Telex: 4265 ERNST

CONTINENTAL CARS (UK) LIMITED

We, Nigel John Vooght & John Martin Iredale of Cork Gully, 9 Greyfriars Road, Reading, Berkshire, RG1 1JG, hereby give notice that on 25 January 1990 I was appointed Joint Administrative Receiver of the above-named company by Midland Bank Plc under the terms of a debenture dated 21 June 1988 giving the holders a floating charge over the whole of the company's assets.

Dated this 29th day of January 1990

N J Vooght, Joint Administrative Receiver

JONCARE LIMITED

We, Nigel John Vooght & John Martin Iredale of Cork Gully, 9 Greyfriars Road, Reading, Berkshire RG1 1JG, hereby give notice that on 23 January 1990 I was appointed Joint Administrative Receiver of the above-named company by Barclays Bank Plc under the terms of a debenture dated 23 August 1989 giving the holders a floating charge over the whole of the company's assets.

Dated this 29th day of January 1990.

N J Vooght, Joint Administrative Receiver

CROSSWORD

No.7,153 Set by GRIFFIN

ACROSS

1 Demolition worker who could end up in prison? (5-7)
10 Stupid person can't use switch (3-4)
11 One with a large food bill? (7)
12 Animal made dash to front door (5)
13 New building of taste houses amateur vocal production (8)
15 Rubbish series I broadcast on restaurant (10)
16 Slap "no parking" on civic centre (East European) (4)
18 Backing "Live in the Mist" is a mistake (4)
20 Old Scottish lad – one I can twist! (10)
22 Man with a sign about air passages (8)
24 Certainly the first woman outside is to call out (5)
26 This art form is increasing, we're told (7)
27 Plaintive note to Gaelic assembly (7)
28 One often forge's to be this (6-6)

DOWN

2 Not allowed in front of shed that's derelict (7)
3 Careless cut damaged pad internally (8)
4 Plot to get Jewish man off (4)
5 Stressed "she's paid me badly"(10)
6 Makes someone late (6)
7 For audiences see it during genuine performance (7)
8 Cooking it in or on grate (grilling) (13)
9 Trouble using toilet (13)
14 Having anorexia Lt Woolly needed rest (10)
17 Forest, even without TV, is spotted in advance (8)
19 Instrument first orbiting a constellation (7)
21 Worship what bride says on exotic isle (7)
23 Call time and she will turn round (5)
25 Get together around midday, having paid up (4)

Solution to Puzzle No.7,152

SCARCEST ASSENT; EIGHTEEN OBERON; ELEGY SIMPLETON; GALLON GRENADE; AVENGER PANTRY; SOLITAIRE TASTE; USABLE RELATIVE; ELEVEN STRANGLE

WORLD STOCK MARKETS

CANADA

TORONTO
4pm prices January 31

MONTREAL
4pm prices January 31

Total Sales 5,502,728 shares.

INDICES

NEW YORK

DOW JONES	Jan 31	Jan 30	Jan 29	Jan 26	1989/90 HIGH	1989/90 LOW	Since compilation HIGH	Since compilation LOW
♦Industrials	2590.54	2543.24	2553.38	2559.23	2810.15 (2/1/90)	2144.64 (3/1/89)	2810.15 (2/1/90)	41.22 (2/7/32)
Home Bonds	(u)	90.82	91.20	91.37	94.15 (2/8/89)	87.35 (23/3/89)	—	—
Transport	1045.87	1031.83	1074.50	1101.17	1532.01 (5/9/89)	959.95 (3/1/89)	1532.01 (5/9/89)	12.32 (8/7/32)
Utilities	223.65	218.69	218.44	218.06	236.23 (2/1/90)	181.84 (24/2/89)	236.23 (2/1/90)	10.50 (8/4/32)

♦Day's High 2600.90 (2576.13) Low 2546.85 (2513.06)

STANDARD AND POOR'S	Jan 31	Jan 30	Jan 29	Jan 26	1989/90 HIGH	1989/90 LOW	Since compilation HIGH	Since compilation LOW
Composite ‡	329.07	322.98	325.20	325.80	359.80 (9/10/89)	275.31 (3/1/89)	359.80 (9/10/89)	4.40 (1/6/32)
Industrials	378.69	371.92	374.31	374.58	411.20 (2/1/90)	318.66 (3/1/89)	411.20 (2/1/90)	3.62 (21/6/32)
Financial	27.93	27.31	27.63	27.86	35.24 (9/10/89)	24.30 (3/1/89)	35.24 (9/10/89)	8.64 (1/10/74)
NYSE Composite	181.50	178.43	179.73	180.21	199.34 (9/10/89)	154.98 (3/1/89)	199.34 (9/10/89)	4.46 (25/4/42)
Amex Mkt. Value	350.07	345.50	349.54	350.87	397.03 (10/10/89)	305.24 (3/1/89)	397.03 (10/10/89)	29.31 (9/12/72)
NASDAQ Composite	415.81	418.72	418.11	421.33	485.73 (9/10/89)	378.56 (3/1/89)	485.73 (9/10/89)	54.87 (31/10/72)

	Jan 26	Jan 19	Jan 12	year ago (approx.)
Dow Industrial Div. Yield	4.20	3.99	3.96	3.46
	Jan 24	Jan 17	Jan 10	year ago (approx.)
S & P Industrial div. yield	3.11	3.03	2.94	3.12
S & P Indl. P/E ratio	14.09	14.39	14.80	13.40

NEW YORK ACTIVE STOCKS

Wednesday	Stocks traded	Closing price	Change on day
Boy Pete	6,303,400	26⅝	—
Bank New Eng	2,851,600	4⅞	+ ⅛
A T & T	2,847,400	39	+ 1¼
Chase Man	2,831,800	30¾	+ ⅞
Philip Morris	2,508,900	37⅞	+ ⅝
IBM	2,110,900	98½	+ 1¼
Southern	1,694,800	27	+ ½
Gen Electric	1,580,800	62¼	+ ½
Dow Chem	1,572,800	63⅞	− 1⅞
Fannie Mae	1,570,900	31¼	+ 2

TRADING ACTIVITY

† Volume (Millions)	Jan 31	Jan 30	Jan 29
New York	190.285	184.582	150.770
Amex	11.9695	14.867	12.780
NASDAQ	(u)	160.160	118.590
Issues Traded	1,963	1,974	1,942
Rises	1,107	392	538
Falls	445	1,155	947
Unchanged	411	427	457
New Highs	8	9	10
New Lows	90	199	144

CANADA

TORONTO	Jan 30	Jan 29	Jan 26	1989/90 HIGH	1989/90 LOW
Metals & Minerals	3057.12	3048.70	3056.64	3064.41	3919.2 (1/9/89)	3048.70 (30/1/90)
Composite	3704.42	3707.00	3722.52	3733.72	4037.8 (6/10/89)	3350.5 (6/1/89)
MONTREAL Portfolio	1871.06	1864.30	1875.79	1876.80	2069.68 (10/10/89)	1677.48 (3/1/89)

Base values of all indices are 100 except NYSE All Common—50; Standard and Poor's—10; and Toronto Composite and Metals—1000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. (c) Closed. (u) Unavailable.

	Jan 31	Jan 30	Jan 29	Jan 26	1989/90 HIGH	1989/90 LOW
AUSTRALIA						
All Ordinaries (1/1/80)	1677.8	1695.8	(c)	1684.8	1781.8 (29/8/89)	1432.9 (7/4/89)
All Mining (1/1/80)	846.3	859.4	(c)	843.6	875.1 (29/8/89)	652.6 (7/4/89)
AUSTRIA						
Credit Aktien (30/12/84)	581.38	579.51	574.59	549.47	581.75 (12/1/90)	219.5 (2/1/89)
BELGIUM						
Brussels SE (1/1/80)	(u)	6259.76	6248.50	6203.52	6805.28 (26/9/89)	5519.30 (4/1/89)
DENMARK						
Copenhagen SE (3/1/83)	371.67	366.34	362.65	362.21	374.24 (18/1/90)	275.49 (27/2/89)
FINLAND						
Unitas General (1975)	663.4	660.8	664.8	668.2	815.8 (18/4/89)	580.8 (23/11/89)
FRANCE						
CAC General (31/12/82)	519.20	524.31	528.70	518.89	561.6 (11/10/89)	417.9 (4/1/89)
CAC 40 (31/12/87)	1882.88	1892.08	1904.71	1886.75	2006.42 (4/1/90)	1525.38 (27/2/89)
GERMANY						
FAZ Aktien (31/12/58)	761.48	758.64	758.18	751.04	776.71 (12/1/90)	535.78 (27/2/89)
Commerzbank (1/12/53)	2237.5	2230.1	2228.2	2209.2	2291.3 (3/1/90)	1595.7 (27/2/89)
DAX (30/12/87)	1822.78	1812.98	1811.55	1794.14	1869.66 (3/1/90)	1271.70 (23/2/89)
HONG KONG						
Hang Seng Bank (31/7/64)	2751.60	2768.80	(c)	(c)	3309.64 (15/5/89)	2093.61 (5/6/89)
IRELAND						
ISEQ Overall (4/1/88)	1837.46	1833.97	1843.99	1847.09	1893.10 (22/1/90)	1360.64 (18/1/89)
ITALY						
Banca Com. Ital. (1972)	682.76	679.99	684.67	683.23	734.84 (31/8/89)	577.49 (28/2/89)
JAPAN						
Nikkei (16/5/49)	37188.95	37215.67	37173.78	36874.07	38915.87 (29/12/89)	30183.79 (5/1/89)
Tokyo SE (Topix) (4/1/68)	2737.57	2741.22	2736.76	2711.15	2884.80 (18/12/89)	2366.91 (6/1/89)
2nd Section (4/1/68)	4088.33	4076.69	4046.49	4069.81	4088.33 (31/1/90)	2774.38 (27/3/89)
MALAYSIA						
KLSE Composite (4/4/86)	570.21	(c)	(c)	562.98	592.90 (11/1/90)	357.31 (3/1/89)
NETHERLANDS						
CBS Ttl.Rtn.Gen.(End 1983)	252.7	252.4	249.3	248.2	272.7 (21/9/89)	208.3 (3/1/89)
CBS All Shr (End 1983)	193.8	193.6	191.2	190.4	210.5 (8/9/89)	166.7 (1/3/89)
NORWAY						
Oslo SE (2/1/83)	759.85	755.80	751.72	744.22	759.95 (31/1/90)	467.17 (2/1/89)
PHILIPPINES						
Manila Comp (2/1/85)	1048.93	1069.64	1065.92	1048.17	1396.26 (20/11/89)	804.62 (6/2/89)
SINGAPORE						
SES All-Singapore (2/4/75)	425.16	424.46	(c)	414.25	433.24 (11/1/90)	300.07 (4/1/89)
SOUTH AFRICA						
JSE Gold (28/9/78)	2186.04	2219.8	2235.0	2215.0	2254.0 (12/12/89)	1291.0 (15/2/89)
JSE Industrial (28/9/78)	2923.04	2927.0	2940.0	2925.0	3023.0 (15/1/90)	1961.0 (3/1/89)
SOUTH KOREA **						
Korea Comp Ex. (4/1/80)	896.16	888.47	897.32	(c)	1007.88 (3/4/89)	844.75 (11/12/89)
SPAIN						
Madrid SE (30/12/85)	278.92	279.49	277.85	276.61	328.93 (13/9/89)	268.61 (1/3/89)
SWEDEN						
Jacobson & P. (31/12/56)	(u)	(u)	(u)	4278.8	4668.3 (16/8/89)	3333.9 (3/1/89)
SWITZERLAND						
Swiss Bank Ind. (31/12/58)	750.5	748.8	747.9	741.8	829.1 (6/9/89)	613.1 (3/1/89)
TAIWAN **						
Weighted Price (30/6/66)	12054.35	(c)	(c)	(c)	12054.35 (31/1/90)	4873.01 (5/1/89)
THAILAND						
Bangkok SET (30/4/75)	853.72	862.42	858.16	858.14	918.67 (5/1/90)	386.73 (2/1/89)
WORLD						
M.S. Capital Intl. (1/1/70)	(u)	538.9	540.5	535.6	571.8 (4/1/90)	487.6 (13/6/89)

**Saturday Jan. 27: Taiwan Weighted Price: (c) Korea Comp Ex. 905.75

‡ Subject to official recalculation.

Base values of all indices are 100 except: Brussels SE, ISEQ Overall and DAX – 1,000, JSE Gold – 255.7, JSE Industrials – 264.3 and Australia All Ordinary and Mining – 500; (c) Closed. (u) Unavailable.

TOKYO - Most Active Stocks
Wednesday January 31 1990

	Stocks Traded	Closing Prices	Change on day		Stocks Traded	Closing Prices	Change on day
Kawasaki Steel	16.1m	821	-6	MHI	4.8m	1,100	-20
Nippon Steel	6.9m	713	-2	Green Cross	4.7m	2,280	+100
Sumitomo Mtl	6.5m	2,280	0	NKK	4.4m	700	-5
Fujisawa Pharm.	5.9m	2,390	+100	Sumitomo Corp	4.3m	1,480	-40
Nippon Mining	5.7m	1,030	-20	Gun-ei Chem	4.3m	1,280	-10

4pm prices January 31

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
		– A – A – A –								
37½	24¾	AAR	.48	1.5	19	51	31½	31	31½	+⅝
9¾	8½	ACM n	1.01	11.		160	9½	9¼	9½	+⅛
11⅝	10½	ACMIn	1.26	11.		373	11¼	11⅛	11⅛	−⅛
9⅞	8	ACM M	a1.01	12.		250	8⅝	8½	8½	+¼
12¼	12	ACMMM				155	12⅛	12	12	
11½	10	ACM Sc	1.26	11.		1358	11⅛	10⅞	11⅛	+¼
9⅜	8⅛	ACMSp	1.01	11.		514	9⅛	9⅛	9⅛	
19⅝	11½	AL Lab	.16	.9	16	265	17½	17	17¼	
4⅝	3¼	AMCA	.12e	3.7	6	5	3¼	3¼	3¼	
6⅞	3⅞	AM Intl			7	1189	3⅝	3⅜	3½	+⅛
23½	16⅞	AM In pf	2	12.		32	16⅞	16⅝	16⅞	+⅛
107¼	52½	AMR			7	5093	55⅞	53⅛	55½	+⅞
6½	3⅛	ARX				28	3½	3⅜	3⅜	+⅛
66½	39	ASA	3a	4.7		1645	65¼	63½	63¾	−2⅞
70¾	48¼	AbtLab	1.40	2.2	17	2063	65⅜	64¼	65	+⅞
18¼	11¼	Abitibi g	.50			47	12	11⅞	12	+⅜
13	9¼	AcmeC	.40	3.9	11	119	10⅛	9⅞	10⅛	+⅛
9¼	6	AcmeE	.32	3.6	11	49	9	8⅞	8⅞	
38½	24¼	Acuson			20	792	29¾	28⅞	29⅝	+⅝
16½	12⅞	AdaEx	2.06e	13.		219	15⅝	15	15⅝	+⅜
15⅜	6⅞	Adobe				295	13⅛	12⅞	13	
20¾	16⅞	Adob pf	1.84	9.6		5	19¼	19¼	19¼	−⅛
10½	7⅛	AMD			5	4169	7½	7¼	7¼	
35	28½	AMD pf	3	10.		1	29	29	29	+¼
10⅛	6⅛	Advest	.16	2.5	9	69	6⅝	6⅜	6½	
62½	48½	AetnLf	2.76	5.5	8	2323	50½	49⅞	50	+⅝
14	9⅞	AffilPb	.24	2.3		338	10⅝	10⅜	10⅝	+⅛
25	16⅛	Ahmans	.88	5.0	9	1518	17⅞	17¼	17⅞	+⅛
3⅞	2⅛	Aileen				70	2¼	2⅛	2¼	
50¼	40	AirPrd	1.32	2.8	12	3455	48¼	46	48⅝	+⅛
38⅝	21½	AirbFrt	.60	1.8	18	1489	35¼	33	34¼	+1¼
26¼	18	Airgas			10	51	17¼	17	17	−⅛
[illegible]										

Continued on Page 37

NYSE COMPOSITE PRICES

Continued from previous Page

NASDAQ NATIONAL MARKET

3pm prices January 31

-X-Y-Z-

Stock	Div.	P/E	Sales 100s	High	Low	Last	Chng
XL Dta s		6	100	8½	8⅜	8⅜	- ⅛
XOMA			4025	19½	18¾	19½	+ ¾
Xicor		160	435	3¼	2⅞	3	
YankEnS	.78e	13	20	20¼	19½	20	- ⅛
YelowF	.76	10	1863	23⅞	d22⅝	23½	- ⅛
YorkRs		17	119	9½	9¼	9¼	- ¼
ZionUt	1.44	11	2024	26¼	25¾	25⅞	+ ⅛

AMEX COMPOSITE PRICES

4pm prices January 31

FINANCIAL TIMES Thursday February 1 1990

AMERICA

Long-awaited rebound by Dow triggered by bonds

Wall Street

AN UPTURN in the Treasury bond market after its recent sustained weakness helped stocks rebound yesterday in a substantial rally which many thought long overdue, *writes Janet Bush in New York.*

The Dow Jones Industrial Average closed 47.30 points higher at 2,590.54 on active volume of 189m shares. The Dow had closed 10.14 points lower on Tuesday at 2,543.24 in spite of a rally in the dollar and bonds on rumours that Mr Mikhail Gorbachev was preparing to step down as Communist Party leader.

Other indices also rose sharply yesterday. The broad-based Standard & Poor's 500 index was quoted 6.09 point higher at 329.07. Even the Nasdaq over-the-counter market rebounded after its weakness in recent sessions.

The Dow Jones Transportation Average, which fell 6.3 per cent in the first two sessions of the week largely because of intense selling pressure on UAL, the parent company of United Airlines, also rebounded to stand 14.05 points higher at 1,045.87.

The rally on the New York Stock Exchange came as long-dated Treasury bonds built on Tuesday's gains which, in turn, pushed S&P's 500 futures contracts to sharp premiums to their underlying stocks in the cash market. This prompted a wave of programmed stock index arbitrage in which the futures were sold and cash stocks bought.

Although the bond market had initially weakened on news of a larger-than-expected 0.8 per cent rise in December leading indicators, it then rallied after the publication of the latest report from purchasing managers in the Chicago area which gave evidence of a decidedly weak industrial sector.

There was also news yesterday of a surprisingly larger 9.6 per cent fall in December in new single-family home sales, confirming that the housing market remains one of the weak spots of the economy.

The equity market has increasingly appeared to be fishing for a bottom after its sharp decline in January from a record high for the Dow of 2,810.15 on January 2. Over the previous five sessions, the Dow had dropped more than 70 points. Analysts have increasingly argued that the market was exceedingly oversold.

Many of the issues which were hardest hit on Tuesday – including takeover stocks – rebounded yesterday. MCI Communications, which dropped $3⅞ on Tuesday on disappointing earnings, added back $1¼ to $32⅛. UAL recovered only a little to stand $1 higher at 121⅛.

There were more earnings disappointments yesterday, though not enough to stop the wave of bargain hunting.

Dow Chemical slumped $1⅛ to $64 after announcing fourth-quarter net income of $1.59 a share compared with $2.29 a share a year earlier. Commodore International lost $⅛ to $8⅞ on a drop in its fourth-quarter net earnings to 35 cents a share from $1.10 a year earlier, at the low end of expectations.

On the over-the-counter market, Mentor Graphics fell $2⅛ to $15⅞ on it reported fourth-quarter net earnings of 32 cents a share compared with 28 cents a share a year earlier.

One of the day's winners was GW Utilities, the gas distribution and pipeline company, which jumped $10⅞ to $28⅞.

Canada

FALLING gold shares, on the back of a sudden dive in the price of bullion, meant Toronto stocks closed just down, and well above their worst level for the day.

The composite slipped 2.58 to 3704.42, after being pulled up from a near 17-point drop by strong gains on Wall Street.

Declines outnumbered advances 322 to 286. Volume gained to 31.9m shares, worth C$390.1m, compared with Tuesday's 27.3m shares, worth C$354.6m.

Foreigners flirt with hypersensitive Argentina

Gary Mead looks at a bolsa on which one issue rose by nearly 40,000% last year

ON WORLD bourses, 1989 was Argentina's year. In spite of the country's hyperinflation, the relatively small Bolsa de Comercio in Buenos Aires far outperformed nearly all other emerging stock markets, registering an average real return for investors of 216 per cent.

Some of the leading companies saw their shares rise by more than 20,000 per cent last year. Astra, a company associated with Texaco, registered a rise of 39,488 per cent up to the last two days of December.

Astra was closely followed by the petrochemical conglomerate, Perez Companc (28,650 per cent) and the steel manufacturer Siderca (23,976 per cent); down the league, but still impressive performers, were Renault (8,974 per cent) and the shoe manufacturer Alpargatas (8,324 per cent).

Those performances, in local currency terms, have to be set against inflation, which hit a monthly 197 per cent in July and reached a cumulative figure of 4,923 per cent in 1989, and a depreciation of the austral against the US dollar, which has seen it fall from 16 australs to the dollar in January 1989 to 1,900 by the end of the year.

The handing over of power five months early to the new Menem administration, in July, and the new president's determined avowal to ditch old-style Peronism in favour of what he described in October as the consolidation of "a serious capitalist model, with clear and transparent rules of the game," gave eagerly-sought reassurances to a normally jittery stock market.

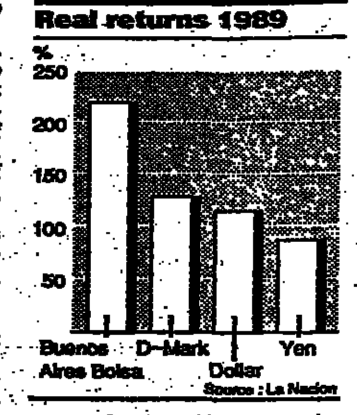
At the same time, Argentina's volatile political and economic situation has worsened rather than improved in the last few months, and this means that dramatic equity growth can switch rapidly into reverse gear.

This has just happened. On January 8, the exchange reopened after several days out of operation, due to the introduction of yet another set of economic emergency measures. It saw 53 per cent wiped off total share values in one fell swoop.

The reason behind the collapse was the urgent need for over-exposed investors to sell in order to obtain liquidity, in the face of tightened monetary policies. Since then, the market has recovered 30 per cent, thanks to two weeks of relative stability in government economic planning.

Argentina's recent decades of military government followed by unstable civilian rule have seen an overall shrinking of the number of listed companies which are traded. In 1982, there were 660. Today, there are just 184, compared with more than 1,000 companies quoted in Brazil.

Real returns 1989



Source: La Nacion

The bolsa has a market capitalisation of US$5.3bn. On a typical day's trading during 1989, $2m worth of shares might have changed hands. It was a wildly erratic year in volume terms, with a September 18 peak of $25m touching the highest level since the $29.4m of June 6, 1979.

Compared with Brazil's daily average of $90m, Buenos Aires is a small market. But foreign investors have started to take notice of it, particularly since the Menem administration passed legislation which completely removes restrictions on them. They can now participate freely, on the same basis as Argentinians, and profits can be repatriated subject only to the same tax levels as faced by locally-based investors.

According to Mr Pablo de Estrada, head of the capital markets department with Banco Roberts in Buenos Aires, at least 15 emerging market funds are currently in Argentina, taking advantage of the bolsa rally. And Banco Roberts is holding discussions to get another three under way.

ASIA PACIFIC

Nikkei underplays the Japanese decline

Tokyo

DOMESTIC and foreign, and political and economic fears took share prices on a choppy ride downwards in sluggish trading yesterday, but belated support from professional investors eventually helped to contain the losses, *writes Michiyo Nakamoto in Tokyo.*

The market dropped in early trading on the weakness of the yen and bond prices, the election outlook and Soviet concerns, as well as on arbitrage selling; it recovered later on index-linked buying.

The Nikkei index moved from a high of 37,208.08 to a low of 36,957.23 before closing down 26.72 at 37,188.95, but this seemed to underplay the extent of the decline. "The board looks much cheaper than the Nikkei seems to indicate," said Mr Masami Okuma at UBS Phillips & Drew.

Declines led advances by 480 to 443 and 195 issues were unchanged. The Topix index of all listed stocks dropped 3.65 to 2,737.57 and, in London, the ISE/Nikkei 50 index eased 0.29 to 2,045.29.

A lack of activity continued to plague the market. Volume, which has been closer to half-day levels recently, slipped once more to 401m shares from the 477m on Wednesday. "There seems to be more dealer activity than any real buying," said Mr Okuma. On Tuesday, for example, 60 to 70 per cent of trading was reported to have been own-account dealer activity.

Institutional investors, in particular, were absent from the scene. February looks likely to be a very difficult month, embracing the outcome of the forthcoming national elections in Japan, and developments in the Soviet Union.

Rumours yesterday that President Mikhail Gorbachev was considering resigning as general secretary of the Communist party triggered a fall in stocks overseas, in the yen and in domestic bond prices. They also confirmed the view among investors that the time was not ripe to jump back into the market.

The likelihood that overseas stock markets could face turbulence also kept investors wary. The US economy is not regarded as very healthy; there could be further announcements of poor earnings results there, not to mention a nervous reaction to more destabilising news from the Soviet Union.

For the time being, however, patience is winning over the urge to sell among institutional investors, who have held on to their stocks even in the face of substantial drops this month.

The uncertain environment turned investors' attention to the safe havens of pharmaceuticals and foods, thought to be less affected by external influences. Fujisawa Pharmaceutical and Green Cross both advanced Y100, to Y2,390 and Y2,280 respectively, in active trading. Kirin Brewery added Y20 to Y1,970.

The recent popularity of heavily-capitalised issues proved short-lived; four of the top ten most active stocks came into this category. Kawasaki Steel, top of the list with 16.1m shares, fell Y8 to Y821 while Nippon Steel followed with 6.9m shares and a loss of Y2 to Y713. Mitsubishi Heavy Industries fell Y20 to Y1,100.

Lack of activity characterised the Osaka market, where the OSE average slipped 27.45 to 38,130.33. Volume was down to 40.2m shares from the 61.3m traded on Tuesday.

Roundup

MARKETS RETURNING from holiday had a good day, with Taiwan reaching record levels, but one of Tuesday's hot spots, Australia, cooled off again.

AUSTRALIA saw Tuesday's gains wiped out, as the firmer dollar and weak foreign stock markets kept buyers away. Turnover was light at 86m shares worth A$170m, down from 118m and A$200m the previous day.

The All Ordinaries index lost 18.9 to 1,677.0 and profit-taking undermined the gold sector. The rise in the consumer price index in the fourth quarter last year was in line with expectations; investors are expected to pay more attention to today's news of the December current account deficit, predicted to be between A$900m and A$1.5bn.

Among leading stocks, BHP dropped 17 cents to A$9.88. Coles Myer, the retailer, lost a further 20 cents to A$7.86 after last week's warning by the chairman that profits could fall. News Corp, the media group, fell 40 cents to A$12.10 on rumours that a US broker had cut its profits forecast.

TAIWAN returned from its seven-day holiday in record-breaking form, as investors hoped for a rally. The weighted index rose 107.34, passing the 12,000 level to an all-time high of 12,054.35.

Turnover slipped from the previous Tuesday's record NT$195bn to NT$138bn.

MALAYSIA also came back from its holidays in confident mood, as the Kuala Lumpur composite index added 7.23 to 570.21 on bargain-hunting. Low-priced and speculative issues were the most active stocks. The market is shut for a one-day break today.

SEOUL regained most of the ground lost on Tuesday and recovered from a morning decline yesterday, with the composite index closing 7.69 up at 896.16. Trading was busy, with 18m shares, worth 374bn won, changing hands.

SINGAPORE ended little changed as rounds of selective buying were followed by profit-taking, all of which boosted turnover. The Straits Times industrial index lost an early gain of 5.83 points to close 3.13 down at 1,515.01. Turnover grew to 161m shares from Tuesday's 90m.

Speculative and cheaper stocks were active. DBS Land, up 8 cents at S$3.48, saw the largest number of shares – 18.2m – change hands. The company said that it had won stock exchange approval for a private placement of 58m ordinary shares.

NEW ZEALAND recovered from a sharp fall in the morning to finish slightly lower. The Barclays index lost 5.77 to 1,918.10, after falling 23.30 earlier, and volume swelled to 10m shares valued at NZ$22m, up from 6m shares worth NZ$11m on Tuesday.

HONG KONG declined in subdued trading, with the Hang Seng index losing 9.20 to 2,751.60. Cheung Kong, the most active issue, gained 15 cents to HK$10.10 amid renewed rumours of a restructuring. Total turnover was modest at HK$564m, compared with Tuesday's HK$519m.

Hotel group Mandarin Oriental added another 20 cents to HK$5.30 on speculative buying.

MANILA fell in light trading as investors turned their attention to the foreign exchange market. The composite index lost 14.71 to 1,048.93.

EUROPE

Soviet and American news produces muted response

EVEN where markets rose, gains were muted, and caution seemed to be the order of the day, *writes Our Markets Staff.*

FRANKFURT gave a measured response to the Soviet line that reunification of the two Germanies was a possibility, as well as to Mr Gorbachev's denial that he might quit his post as head of the Soviet communist party. The DAX index closed 9.88 higher at 1,822.78, after a 2.84 rise to 761.48 in the FAZ at midsession.

However, volume rose faster, from DM7.3bn to DM8.6bn; strong Japanese country fund buying, and second thoughts on the industry cycle, got the credit for continued gains in the chemicals sector, where Bayer rose DM5.30 to DM319.80, BASF DM3.70 to DM311.00 and Hoechst DM3.90 to DM307.

Individual performances were extremely mixed. In motors, Porsche paid for its previous speculative run-up, falling another DM18 to DM983; but Volkswagen rose DM12.10 to DM553.10 after it said that it was not planning a rights issue. In electronics, Nixdorf continued to slide, losing DM14.70 to DM262.30 for a four-week fall of 20 per cent.

However, the reunification prospect and the promise of early elections in East Germany have given a new lease of life to the construction sector: Hochtief rose DM36, up DM101 over the past three days; Holzmann, at DM1,220, was DM50 up on the day and DM128.40 higher over three.

PARIS ignored Wall Street's opening strength and continued to decline, following the French bond market lower in moderate volume. There was little corporate news to add spice, and the CAC 40 index lost 9.51 to 1,862.88.

The market responded to the positive stance taken by the chairman of Elf Aquitaine on Tuesday. The shares rose FFr3 to FFr547, after falling FFr12 the previous day on lower-than-expected profits.

Casino steadied after Tuesday's plunge, which followed a downward revision of analysts' forecasts. The shares edged up 50 centimes to FFr164.50; the company said on Tuesday that its profits would be up, but not as much as had been expected.

Ecco, the temporary staff agency, gained FFr27.80 to FFr489.90 on good volume of 11,500 shares traded. The stock had been drifting lower amid uncertainty about forthcoming changes to legislation on temporary and short-term labour.

MILAN was described as "confused, uncertain and fragile," putting into context the rise of 2.77 to 682.76 in the Comit index after a 4.68 decline on Tuesday.

There was moderate demand for banks and a few selected insurance stocks, lifting Banca Commerciale L61 to L5,061 and Generali L240 to L40,730. However, volume remained thin, and the industrial sector stayed weak as Fiat lost L95 to its post-close low of L10,410.

ZURICH saw a slight easing in domestic interest rates, renewed interest in industrials and an increase in buying interest. The Crédit Suisse index rose 4.3 to 604.2.

Positive reports on prospects from companies such as Sulzer and Saurer Gruppe boosted the market. Sulzer participation certificates jumped SFr23 to SFr615 and Saurer added SFr20 to SFr1,620. Zurich Insurance rose SFr85 to SFr5,080 in good demand for the sector.

AMSTERDAM was virtually static in modest turnover, the CBS tendency index slipping 0.6 to 112.0.

Heineken lost Fl 2.30 to Fl 116.30. Union sources were said to have claimed that the company had suggested in a report that its Dutch operations could make a loss by 1994 if there was no restructuring. On Tuesday, Heineken said it would cut 700 of its 4,000 Netherlands staff.

Nedlloyd rose after a favourable newspaper article, adding 60 cents to Fl 85.50 after reaching Fl 87.70. VNU, the publisher, lost Fl 1.20 to Fl 102.50 on fears that it would lose the contract to print the programme magazines for two non-commercial television companies.

MADRID was stable, losing little of the gains made earlier in the week. The general index eased 0.57 to 278.92 in higher volume than of late. Banking stocks rose after recent declines, with Banco Popular gaining 11 percentage points to 1,651 per cent of par.

BRUSSELS ended mixed to slightly lower in modest trade. Intercom, the electrical utilities group, was heavily traded with 23,000 shares changing hands. It dipped BFr25 to BFr3,530. One analyst said: "Generally, people are looking to pick up high yielding stocks after a period of weakness in them."

Solvay, the chemicals leader, slipped BFr125 to BFr13,600. It later said that earnings had risen by about 10 per cent in 1989.

OSLO concentrated on oil-related stocks in spite of lower prices for North Sea oil. The all-share index rose 2.48 to 568.20 in trading worth a total of NKr398m.

STOCKHOLM improved slightly in very light turnover, still in the grip of a pay dispute which has crippled the banking sector since Monday. Turnover was SKr56m, and the Affärsvärlden General index rose 11.4 to 1,238.8.

Astra, the pharmaceuticals group, saw its free Bs gain SKr17 to SKr440, mainly due to continued high expectations for the anti-ulcer drug, Losec.

SOUTH AFRICA

GOLD shares closed quietly easier in subdued trading in Johannesburg as the bullion price drifted downward on thin overseas markets.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	WEDNESDAY JANUARY 31 1990						TUESDAY JANUARY 30 1990			DOLLAR INDEX		
Figures in parentheses show number of stocks per grouping	US Dollar Index	Day's Change %	Pound Sterling Index	Local Currency Index	Day's change % local currency	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Local Currency Index	1989/90 High	1989/90 Low	Year ago (approx)
Australia (84)	151.13	−0.3	133.37	130.62	−0.8	5.23	151.58	133.53	131.72	160.41	128.28	155.21
Austria (19)	218.94	−0.4	193.22	191.90	+0.2	1.35	219.86	193.70	191.51	219.88	92.84	94.97
Belgium (61)	148.41	−1.4	130.97	129.20	−0.7	4.32	150.49	132.57	130.06	160.02	125.58	134.43
Canada (120)	139.79	+0.6	123.36	120.00	+0.2	3.33	138.99	122.44	119.82	154.17	124.67	135.70
Denmark (36)	245.89	−0.2	217.00	217.88	+0.4	1.45	246.30	216.97	216.98	250.34	165.35	155.51
Finland (26)	147.85	−0.3	130.48	122.88	+0.1	2.54	148.23	130.58	122.80	159.16	118.63	134.54
France (125)	148.55	−0.8	131.10	133.52	−0.4	2.82	149.72	131.89	134.10	157.97	112.57	117.36
West Germany (96)	126.97	+0.0	112.05	111.36	+0.4	1.90	127.00	111.88	110.96	130.32	79.56	83.31
Hong Kong (48)	112.94	−0.3	99.67	113.26	−0.3	5.04	113.30	99.81	113.62	140.33	86.41	127.47
Ireland (17)	193.74	−0.2	170.98	173.61	+0.0	2.50	194.21	171.08	173.69	198.57	125.00	134.69
Italy (96)	99.09	+1.2	87.44	92.74	+1.5	2.47	97.89	86.23	91.34	102.11	74.97	81.42
Japan (455)	185.18	−0.6	163.42	169.20	−0.3	0.48	186.37	164.17	169.64	200.11	164.22	190.41
Malaysia (36)	230.03	+1.7	203.00	239.02	+1.7	2.24	226.17	199.24	235.01	238.21	143.35	154.66
Mexico (13)	348.51	+3.0	307.56	1028.81	+3.0	0.50	338.23	297.96	998.48	348.51	153.32	160.51
Netherland (43)	138.02	−0.2	121.80	119.75	+0.2	4.49	138.35	121.87	119.56	145.66	110.63	113.49
New Zealand (18)	69.85	+0.3	61.64	61.55	−0.5	5.72	69.63	61.34	61.86	88.18	62.64	72.28
Norway (24)	221.58	+1.4	195.55	195.57	+1.8	1.39	218.42	192.41	192.11	221.58	139.92	157.28
Singapore (26)	188.06	+0.2	165.97	161.46	+0.4	1.80	187.60	165.26	160.84	189.94	124.57	139.53
South Africa (60)	225.45	−0.9	198.96	166.21	−0.6	3.35	227.57	200.47	167.19	231.14	115.35	122.82
Spain (43)	153.93	−0.5	135.84	126.81	−0.1	4.17	154.66	136.25	126.89	169.75	143.14	144.68
Sweden (35)	195.79	+0.1	172.79	177.97	+0.7	1.92	195.64	172.34	176.81	206.95	138.45	160.17
Switzerland (62)	93.66	−0.8	82.65	87.30	+0.1	2.05	94.45	83.21	87.22	99.12	67.81	76.10
United Kingdom (306)	159.96	+0.4	141.16	141.16	+0.6	4.48	159.36	140.38	140.38	164.31	133.28	148.86
USA (542)	133.02	+1.8	117.39	133.02	+1.8	3.55	130.61	115.06	130.61	146.29	112.13	120.87
Europe (989)	142.11	+0.0	125.41	125.37	+0.4	3.42	142.09	125.17	124.93	146.66	112.63	118.42
Nordic (121)	193.20	+0.1	170.50	166.23	+0.7	1.72	192.98	170.00	165.16	198.12	137.95	144.17
Pacific Basin (667)	181.24	−0.6	159.94	165.59	−0.3	0.73	182.35	160.64	166.04	194.72	160.44	186.27
Euro − Pacific (1656)	165.79	−0.4	146.31	149.57	−0.1	1.67	166.44	146.62	149.66	174.18	141.56	159.13
North America (662)	133.33	+1.8	117.67	132.20	+1.7	3.53	131.02	115.42	129.94	146.66	112.79	121.67
Europe Ex. UK (683)	129.99	−0.2	114.71	115.65	+0.2	2.70	130.28	114.77	115.40	134.66	96.30	99.65
Pacific Ex. Japan (212)	133.91	−0.1	118.17	120.46	−0.5	4.79	134.10	118.13	121.03	140.05	111.93	136.53
World Ex. US (1849)	165.57	−0.4	146.12	149.01	−0.1	1.73	166.18	146.39	149.09	173.77	141.49	157.96
World Ex. UK (2085)	152.28	+0.3	134.38	143.86	+0.5	2.06	151.84	133.76	143.13	162.00	136.98	143.10
World Ex. So. Af. (2331)	152.50	+0.3	134.58	143.41	+0.5	2.28	152.04	133.93	142.66	161.84	136.67	143.73
World Ex. Japan (1936)	137.84	+0.9	121.65	130.41	+1.1	3.53	136.55	120.29	129.05	145.52	114.51	121.15
The World Index (2391)	152.94	+0.3	134.97	143.57	+0.5	2.29	152.49	134.34	142.83	162.05	136.68	143.60

Prices for Finland & Sweden were not fully updated Jan.30/31 following problems at the exchanges.